Bendigo and Adelaide Bank

full annual report 10

c customer nnect

Aiming to be Australia's leading customer-connected bank

Our customers value good service, they want us acting in the best interests of them and their communities and they want to feel appreciated for their business.

This is our point of difference; it's what our customers value and it's what sets us apart from our competitors.

Mike Hirst, Managing Director

I believe in treating customers as individuals. It's about providing quality customer service and seeing things through the eyes of a customer.

Matthew Bellingham, Insurance

It's about working along side our customers to identify their wants or needs and find solutions that add value beyond what any traditional banking service would provide.

Trudy Ellery, Environment and Sustainability

Customer-connected means supporting the communities I work with to achieve real and lasting outcomes to secure their future prosperity.

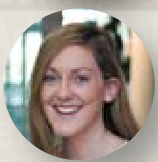
Tim Meade, Community Strengthening

For me, customer-connected means never losing sight of the value in helping others to achieve their goals and in turn making a real contribution to strengthening our business.

Silvana Arena, Media and Communications

Our bank aims to treat all of our customers – be they the communities we support, our customers, partners or our staff – with respect all of the time. We do this while delivering quality products, services and outcomes.

Trevor Hanns, Community Bank®



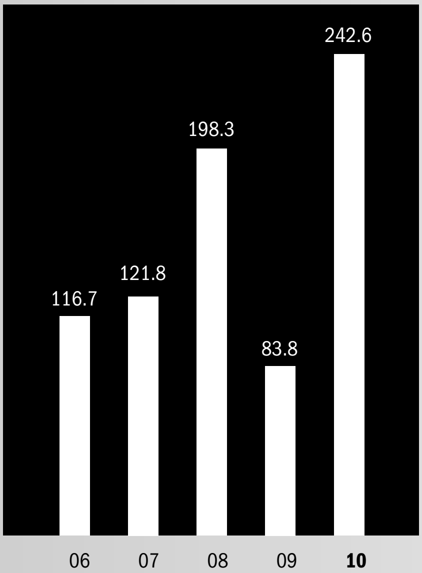
We want our customers to recognise Bendigo and Adelaide Bank as a bank they can trust and is looking out for them and their interests.

Katarnya Murdoch, Project Enable

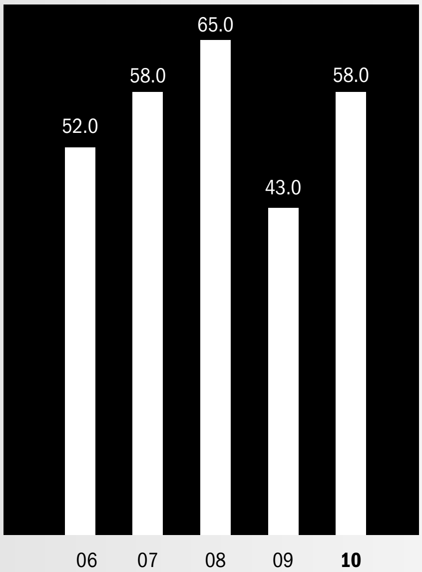
Contents

c investor nnect Performing to reward those who support us

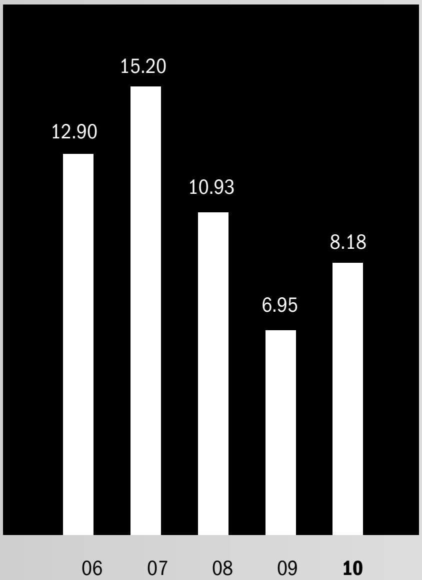
Profit after tax ($mil)



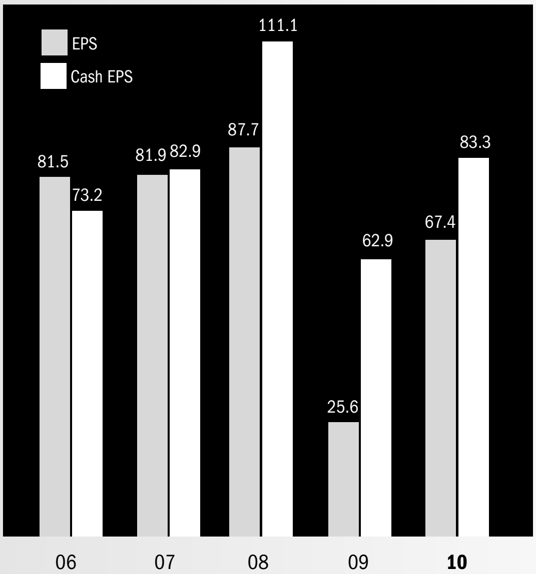
Dividends (cents per share)



Share Price ($) at 30 June



Earnings per share (EPS - cents)



Financial Calendar

2010

30.09.10	Distribution of Final Dividend
11.10.10	Bendigo Step Up Preference Share Dividend
01.11.10	Bendigo Reset Preference Share Dividend
03.11.10	Annual General Meeting
15.12.10	Bendigo Preference Share Dividend

Proposed 2011

10.01.11	Bendigo Step Up Preference Share Dividend
14.02.11	Announcement of Interim Results and Interim Dividend
28.02.11	Interim Ex-Dividend Date
04.03.11	Interim Dividend Record Date
15.03.11	Bendigo Preference Share Dividend
31.03.11	Distribution of Interim Dividend
11.04.11	Bendigo Step Up Preference Share Dividend
02.05.11	Bendigo Reset Preference Share Dividend
15.06.11	Bendigo Preference Share Dividend
11.07.11	Bendigo Step Up Preference Share Dividend
08.08.11	Announcement of Final Results and Final Dividend
29.08.11	Final Ex-Dividend Date
02.09.11	Final Dividend Record Date
15.09.11	Bendigo Preference Share Dividend
30.09.11	Distribution of Final Dividend
10.10.11	Bendigo Step Up Preference Share Dividend
01.11.11	Bendigo Reset Preference Share Dividend
02.11.11	Annual General Meeting
15.12.11	Bendigo Preference Share Dividend

connect Chairman's Report

The 2009/10 financial year was a period of strong recovery for Bendigo and Adelaide Bank. Our profitability has been largely restored and we now look forward to opportunities for growth.

It is three years since the start of the Global Financial Crisis, an event which has fundamentally changed the market for financial services around the world. Australia largely avoided the most severe implications of the crisis; but, here too, a number of participants disappeared and the Australian market is now dominated by the four major banks and depends on them to a far greater extent.

Your bank too has profoundly changed.

Three years ago Bendigo Bank and Adelaide Bank merged to grow the scale of the business and diversify its funding and asset bases. The crisis certainly challenged the wholesale part of the funding mix. But the underlying strength of the businesses meant that we did not need to rely on uneconomic government emergency supported funding. Instead we concentrated on developing our lower risk conservative business.

Our operating margins were badly affected by the dramatic cuts to interest rates in 2008/09 and our profitability suffered. Along with all other banks, we raised a significant amount of additional capital. Some was raised quickly through placements to institutions, which was necessary given the extremely volatile markets, but most was offered to and raised from our traditional retail shareholding base.

There is now largely a new management team at the bank. Mike Hirst became Chief Executive in July 2009 and we have a new executive team. The whole organisation has embraced the changes as we tackle the opportunities presented by the new market place. We thank everyone for their efforts and commitment.

Through the year, we farewelled Kevin Roache and Kevin Osborn as directors and Jamie McPhee as a director and executive. We thank them for their great work for the company over many years. Jim Hazel and David Matthews have joined the board. They were selected for their strong ties to their communities and diverse experience in the banking industry. They have already made important contributions.

During the last year, the profitability of the business has largely recovered. The financial performance in 2009/10 as recorded in this annual report has been very strong, albeit on a larger capital base than before the crisis. We are now growing the business again but without compromising our traditional conservatism and commitment to serve our customers and their communities.

The most important lesson that the financial system has had to learn through the recent crisis is an old lesson; that is, how crucial the values are by which organisations and individuals operate. At Bendigo and Adelaide Bank we know that if we can help our customers, partners and their communities prosper in a sustainable and responsible way, then we too will prosper. If we remain true to those values then we will be able to take advantage of the opportunities presented by the disruptions to the market place during the crisis.

Thank you for your continued support.

Robert Johanson

Robert Johanson
Chairman

> Chairman, Robert Johanson, launches the Walker Street Community Kindergarten which was supported by Victoria's Clifton Hill **Community Bank®** Branch with a $20,000 donation.

152
Years of service

$52.1 bil
Total assets under management

60-70%
Board target for percentage of cash earnings paid as dividends

Top 80
ASX listed company

Only bank
Headquartered in regional Australia

Profit
Declared every year since first established in 1858

connect investor

Managing Director's Report

Bendigo and Adelaide Bank holds a privileged position in the Australian financial services market. Our identity is strong and our point of difference is unchallenged. There is no other bank that can genuinely connect with its customers, partners and communities the way we do.

This is thanks to our unique business model, which forges sustainable relationships and adds value to all our stakeholders. This advantage can largely be attributed to our staff, who strive to work as one team in order to achieve our vision of being Australia's leading customer-connected banking group.

Customer-connected

Our way of doing business pleases people and for us that equates to good business. For many years we have led customer advocacy scores in Australia and boast a world-class rating. We are one of the leading Australian banks for customer satisfaction and the most trusted bank.

This is clear evidence that when we say we're listening to our customers and communities, we mean it. It has taken 150 years of strong performance, innovation, good deeds and genuine contributions to support community enterprise to achieve this remarkable record.

But we're not resting on our laurels. We're looking at new ways to connect through initiatives like Plan Big, our online engagement forum which encourages people to share their aspirations and experiences and to support each other in achieving tangible outcomes.

Growth

Current trends in financial services, post GFC, place a high value on the type of traditional banking in which we specialise. There is huge scope for us to grow and drive more opportunity from our relatively immature branch network. An increased emphasis on advice and service is just one of the ways we will deliver greater value for our customers and attract new ones.

Our retail network continues to grow both assets and liabilities and there is strong demand for the **Community Bank®** business model, with more than 60 communities currently campaigning to establish their own branch. These measures provide the foundations for continued growth.

The recovery in our Third Party Mortgages business has been supported by significant improvements in securitisation markets. This portfolio has shown encouraging growth since February 2010 and with a highly regarded service proposition and strong demand for alternative offerings, the fundamentals for this business are strong.

Leveraged Equities, our margin lending business, continues to reflect the general uncertainty and volatility seen in equity markets since late 2007. However, an exceptional credit performance and strong margins allowed margin lending to contribute substantial profit to the group. This business continues to grow market share and reinforces our claim as the independent Australian margin lending provider of choice.

Our remaining wealth businesses are expected to take advantage of improving market fundamentals. Rationalisation and consolidation of the industry, and potential benefits from planned regulatory and legislative changes are likely to provide long term benefits to this sector.

Rural Bank – our joint venture business with Elders Limited – has announced its net profit after tax increased to $55.4 million, which is a 23 per cent increase on the previous year. This result – achieved in challenging business conditions for many agricultural commodities – reflects the strength of the business' operating model and margin improvements for the period. Retail deposits continue to fund in excess of 95 per cent of Rural Bank's lending.

$242.6 mil
Statutory profit after tax

$291.0 mil
Cash earnings

83.3 cents
Cash earnings per share

190%
Increase in statutory profit after tax

59.7%
Increase in cash earnings

32.4%
Increase in cash earnings per share

Funding

In December 2009, we successfully completed a $1 billion Residential Mortgage Backed Securitisation (RMBS). In March 2010, we completed a second RMBS transaction, with the issue upsized from $650 million to $1.1 billion. In July 2010, we successfully concluded another RMBS with a value of $1.5 billion. This is a good indication that our position as a lender is trusted and our access to funding is secure.

The bank also raised nearly $300 million in new capital through its placement and entitlement offer and has completed almost all merger integration tasks to realise more than $60 million in cost synergies. We've also restructured the organisation to better reflect our strategy and assist us in implementing initiatives that make it easier for customers to do business with us.

Efficiency

Our reported costs increased over the period due predominantly to the full year contribution of the Macquarie margin lending business, nine months contribution of a consolidated Rural Bank and our acquisition of Tasmanian Banking Services in February 2010.

On a comparative basis costs grew marginally due to increases in certified staff salaries. All these investments are poised to make great contributions to our balance sheet in the future.

We will continue to drive new efficiencies across the group and take an opportunistic approach to merger and acquisition opportunities.

Great Southern

We are actively dealing with the fall out from the collapse of Great Southern. The bank had provided loans to growers that invested in the agricultural based schemes managed by the company. Our first priority was to support the borrowers and growers and preserve their opportunity to realise the value in the asset they initially invested in. This is primarily complete.

We must now ensure debts are repaid by the people who borrowed money from us and have had use of it for what they wanted. We have started action in the courts and our normal collection action to ensure that debt is honoured. A class action has also been launched against us and we welcome our day in court for the opportunity to vindicate our course of action.

Profit

Our full year result showed a significant rebound in profit for the group compared with the previous financial year. Our cash earnings were up and our net interest margin also grew, allowing us to announce a dividend in line with our policy of paying out 60 to 70 per cent of cash earnings as dividends.

We have delivered a strong result and we have done it while fundamentally restructuring the business to ensure it is sustainable and self sufficient through the business cycle, enabling us to deliver shareholder returns in line with recovering profitability.

Outlook

All businesses right across our strongly diversified banking group are in a great position to take advantage of new opportunities as economic conditions stabilise and improve.

Thanks to staff support of our unpaid leave program, we have maintained capacity throughout the GFC and we are now fully equipped to generate further growth, funding and efficiency through our highly skilled people.

Bendigo and Adelaide Bank is a different proposition; we connect with our customers and partners, add value to the products we offer by providing exceptional service and give our customers an opportunity to generate positive outcomes for communities right across Australia, simply by banking with us.

This is what makes us relevant, connected and valued and why we will continue to grow and succeed. I genuinely believe we can be considered the first alternative for banking in Australia.

Mike Hirst
Managing Director

> Managing Director, Mike Hirst (centre back), joins bank staff volunteering at the Adelaide Festival.

58 cents

Total full year dividend per share

34.9%

Increase in total full year dividend

$300.0 mil

Capital raised through placement and entitlement offers 2009/10

$2.1 bil

Raised through RMBS issues 2009/10

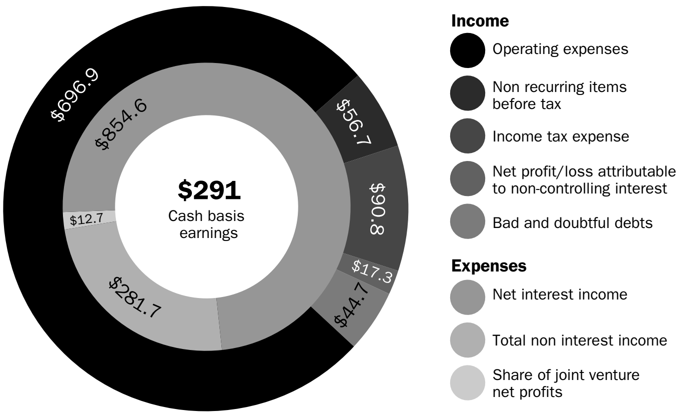
0.97%

Residential mortgage 90-day arrears, down from 1.08% in 2009

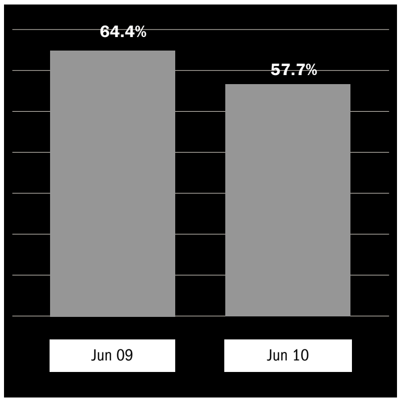
2.19%

Business lending 90-day arrears, down from 2.21% in 2009

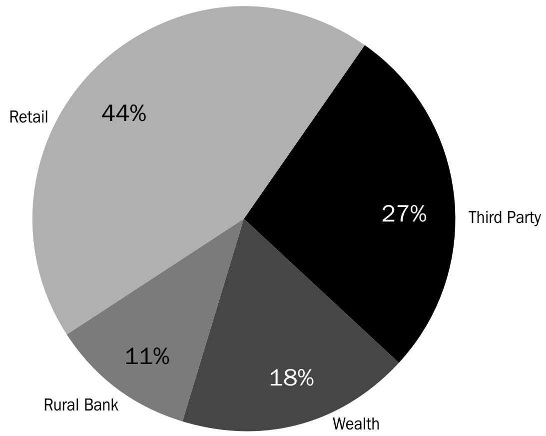
Profit on cash basis ($m)



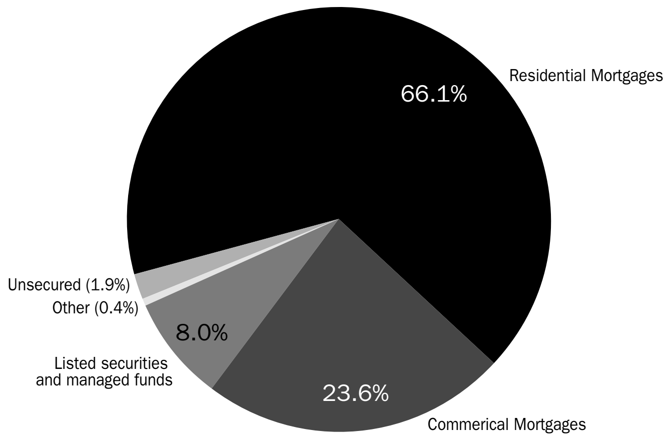
Cost to income reduced



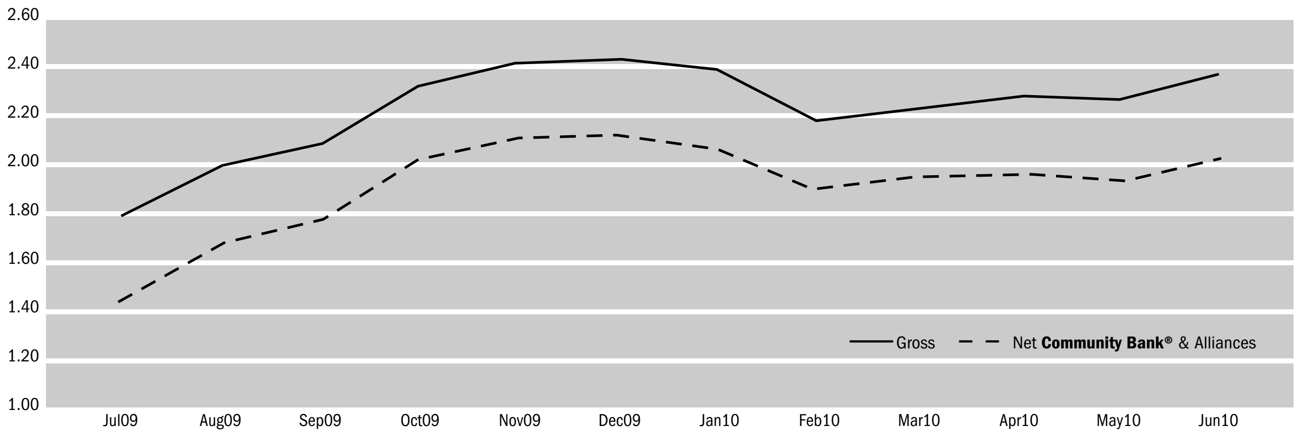
Contribution by profit



Group loan portfolio



Monthly Net Interest Margin (%)



$3.3 bil

Market capitalisation as at 30 June 2010

61%

Ordinary shares owned by retail investors

39%

Ordinary shares owned by institutional investors

A2

Moody's credit rating

BBB+

Standard and Poor's credit rating

BBB+

Fitch Ratings Services credit rating

connect customer

Contributing to the success of customers and communities

Bendigo Bank Retail Banking

Our retail network continued to grow and experience strong demand, as evidenced in the last quarter when system growth was matched or exceeded in all portfolios including mortgages, non-mortgage lending, business lending and household deposits.

Bendigo Bank continued to excel in customer advocacy, satisfaction and trust surveys with our staff aiming to set new industry standards in customer service. This, along with our wide range of products and services and connection to the community, has seen the bank's customer base grow to more than 1.35 million.

To meet the needs of our increasing customer base we extended our branch network, opening 23 new branches (22 **Community Bank®** branches and one company owned branch) over the financial year. Demand remains strong for the **Community Bank®** initiative, with more than 60 communities around Australia currently looking to introduce the banking model to their community.

In addition, we fully integrated all former Tasmanian Banking Services branches into the network, boosting our branch numbers in Tasmania to 15.

We're actively educating our staff, we have made an investment into a customer relationship management system and we have introduced our transition to advice program which is designed to increase the skills of selected branch staff, so more can provide limited financial advice.

These investments in people and infrastructure will better position us to have more meaningful conversations with our customers, increase the amount of banking our current customers do with us and attract new customers.

Access and Payment Systems

Improving customer convenience and access to banking services has been the driving force behind an effort to increase the number of ATMs Bendigo Bank customers can transact at.

We have made a significant investment in new machines and a number of agreements with other financial service providers have given our customers twice as many places to access their money.

The biggest boost to our ATM services was achieved in July 2010, through a network sharing agreement with Suncorp Bank which allows Bendigo Bank customers to use Suncorp ATMs without incurring a direct charge fee.

The agreement improves the spread of our ATM network with greater access in Brisbane, Sydney and other parts of Australia.

> All the Bendigo staff I have had dealings with, either in person or on the phone, have been courteous and friendly. I think that Bendigo's customer service is the best and it is for this reason that I will stay with Bendigo.
>
> **Bernice Shepherd, Bendigo Bank customer, Launceston**

1.35 mil **Bendigo Bank customers**	448 **Bendigo Bank branches**	1180 **Bendigo Bank ATMs, almost 1900 ATMs post Suncorp sharing agreement**
547 **Total customer service outlets**	23 **New Bendigo Bank branches 2009/10**	394 **New Bendigo Bank ATMs 2009/10, with a further 720 ATMs post Suncorp sharing agreement**

When you choose to do your banking with our retail arm, Bendigo Bank, we make a commitment to ensure your best interests are our first priority. We have a wide range of personal bank accounts, products and services to meet your investment, saving and everyday banking needs.

Agencies

Customer Service Agencies make up almost 20 per cent of our retail network, complete around 700,000 transactions each year and serve more than 40,000 customers, often in small or remote communities.

Increasingly, our agencies are becoming a starting point for communities looking to establish their own **Community Bank®** branch and there are currently more than 10 **Community Bank®** campaigns underway in agency locations.

Business Banking

Our Business Banking portfolio continued to grow with $875 million added to our balance sheet, an increase of 10.7 per cent.

Funding challenges generated new opportunities, with many small and medium enterprises (SMEs) looking for a new place to do their banking. We will focus on servicing these SMEs over the coming year, a move supported by the addition of new business banking staff.

Our business bankers have delivered industry leading customer service. In June 2010, Business Review Weekly released survey results which showed 91.4 per cent of Bendigo Bank's business customers are satisfied with our service. This was the highest result achieved by an Australian bank.

Bendigo Financial Planning

Regulators are now moving to introduce a fee-for-service model across the financial planning industry, but this change will not impact us, as in 2006 we recognised and implemented this practice as the best way to provide independent advice.

To reinforce our ability to provide independent product and service advice to our customers, we have ensured Bendigo Financial Planning is not aligned to an in-house funds management business. This means our advisers can select from a wide range of products and can provide advice on a broad range of investment options.

Bendigo Financial Planners are salaried employees of the bank and do not rely on commission, so the advice you receive is free from any conflicts of interest.

Bendigo Financial Planning is available at more than 470 locations around Australia.

> I have been dealing with the Bendigo Bank for the last 16 years and have found them to be very professional with the advice they give, the staff are friendly and also very prompt with everything they do. I have recommended the Bendigo Bank on several occasions and would have no hesitation in recommending them in the future.
>
> **Ken Filbey, Bendigo Bank customer, Ballarat**

99
Agencies

$5.8 bil
Business Banking assets under management

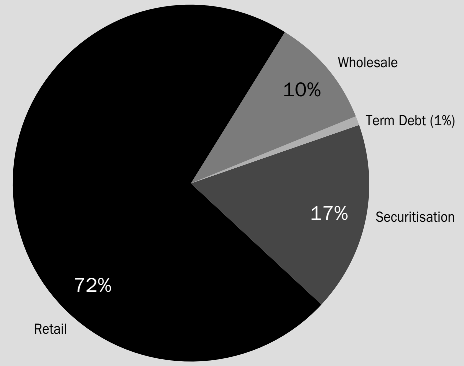
472
Bendigo Financial Planning locations

700,000
Agency transactions each year

12.5%
Increase in Business Banking assets under management

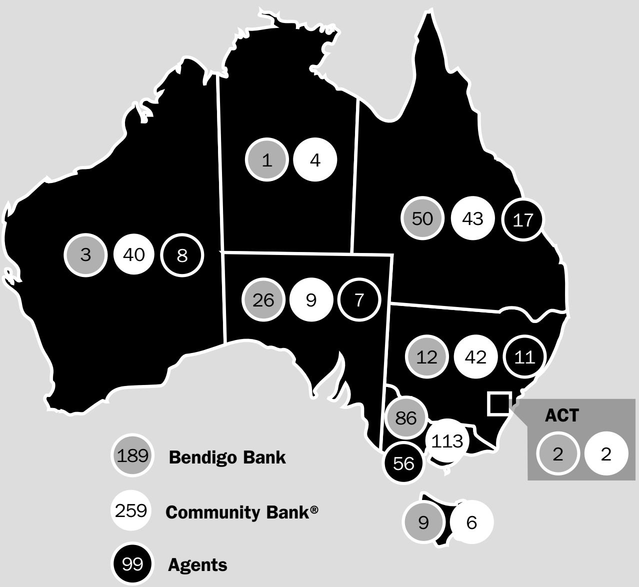
Fee-for-service
Model introduced in 2006 to provide independent advice

Total funding driven by retail deposits

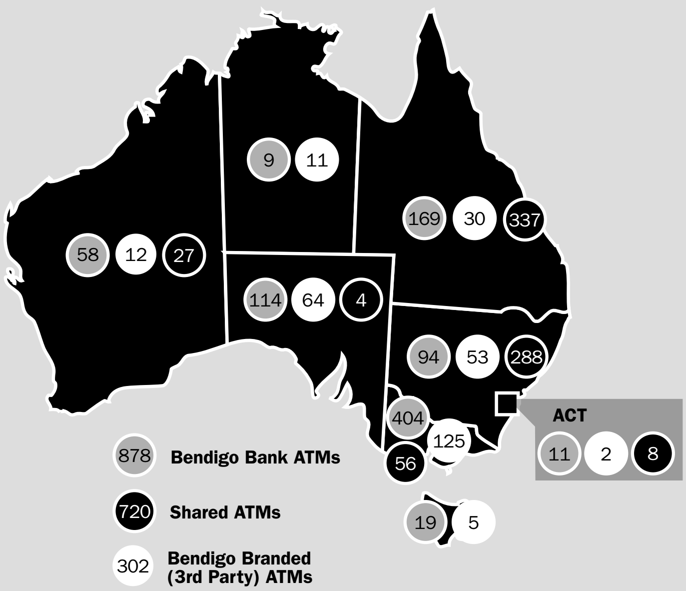


Retail banking deposit growth

Total retail branches and agencies



Total ATMs



$47.0 bil

Retail banking total assets and liabilities under management

$21.4 bil

Retail banking assets under management

$25.6 bil

Retail banking liabilities under management

9.0%

Increase in retail banking total assets and liabilities under management

11.5%

Increase in retail banking assets under management

7.1%

Increase in retail banking liabilities under management

connect partner — Responsive service delivery to our partners

AdelaideBank Third Party Lending and Wealth Deposits

Adelaide Bank is our dedicated intermediary bank, providing partners with responsive wholesale banking opportunities and a range of cash management solutions.

Third Party Mortgages

After suffering falling lending volumes during the depths of the GFC, our Third Party Mortgage business is experiencing a recovery, supported by significant improvements in securitisation markets over the past year. The fundamentals for this business are sound.

This portfolio has grown by $250 million since February 2010, following strong demand for a partner focussed alternative to the major banks.

We are poised to make a significant investment in a new platform to support this part of our business. The introduction of this system will provide us with an opportunity to make a compelling offer to brokers and mortgage bankers.

We were proud recipients of three major awards in Mortgage Professional Australia magazine's 2010 Brokers on Banks survey. Brokers awarded Adelaide Bank one gold medal for its fast turnaround times and two silver medals for satisfaction with our credit policy and phone support. We appreciate this recognition and strive to continue to improve our performance to ensure we are the first choice of partner for mortgage professionals.

Wealth Deposits

Despite a decrease in Wealth Deposits liabilities under management for the full year, there was significant growth in the last half of the financial year, with the portfolio increasing 10.7 per cent to $3.8 billion.

Considering the past year's challenging market conditions and competitive environment, we have successfully managed our margins and more than $100 million was added to our term deposit book, placing us in a strong position and ahead of funding targets.

We introduced differential pricing for Adelaide Bank Term Deposits which lead to a 21 per cent growth in our Wealth Advised Deposits compared with the previous year.

We continued to exceed our partners' expectations, highly rated for our service, value proposition and consistent in-market rates.

Greater efficiencies were also introduced to remove capacity constraints and allow for higher volumes, improved service levels and reduced business risk.

$13.5 bil

Third Party Mortgages assets under management

17.0%

Decrease in Third Party Mortgages assets under management

Gold medal

Awarded by Mortgage Professional Australia for fast turnaround times

Two silver medals

Awarded by Mortgage Professional Australia for credit policy and phone support

$3.8 bil

Wealth Deposits liablities under management

7.7%

Decrease in Wealth Deposits liabilities under management

connect Providing opportunities to build wealth and prosperity

Leveraged Equities — Wealth Financing

As Australia's foremost margin lender, Leveraged Equities specialises in industry leading wealth financing solutions that allow flexibility within investment portfolios.

Against an operating environment of volatile equity markets, market consolidation and cautious customer sentiment, Leveraged Equities has performed exceptionally well.

Our share of Australia's margin lending increased to 19 per cent during the year, profit margins were stable and credit quality in the portfolio was strong. This affirms our proposition of industry leading service and effective risk management practices.

Our responsible lending business model and exceptional customer service are among the reasons Leveraged Equities remains the preferred margin lender for many partners, financial advisers and customers.

Following the acquisition of the Macquarie margin loan portfolio, we successfully merged the customer database in November 2009. The performance of the acquired portfolio has delivered growth and profitability results above expectation.

Market and adviser sentiment will have a big influence over the next 12 months and economic volatility will correlate closely with the growth of our portfolio. Regulatory changes will also have an impact on the margin lending industry and to a lesser extent on our operating practices.

We have been at the forefront of discussions and negotiations for an appropriate regulatory framework that meets the needs of customers and our business.

However, with a strong market position and having achieved growth in a difficult period, we are exceedingly well positioned to take advantage of any improvement in sentiment.

Sandhurst Trustees — Investment Solutions and Trustee Services

Established in 1888, Sandhurst Trustees is a highly experienced provider of investment solutions and trustee services that create, enhance and protect wealth.

Our managed funds and superannuation solutions under trusteeship at the end of the financial year were $2.6 billion.

The GFC created a challenging environment for Sandhurst Trustees, with the government guarantee on bank deposits attracting funds away from mortgage funds like ours. Many mortgage funds either closed or limited redemption requests. Both of our funds (Select Mortgage Fund and Investment Common Fund) which predominately invest in mortgage securities, have remained open and continue to pay all redemption requests to customers. We are one of a handful of financial institutions that continue to do so.

This commitment to our customers and confidence in the strength of our business reinforces that we put our customers first.

Our Sandhurst Future Leaders Fund was recognised by the Australian Financial Review, winning its Smart Investor Blue Ribbon Award 2009 for the best small-cap fund in Australia.

In August 2010, our intention to acquire a 24 per cent stake in Linear Asset Management was announced. This acquisition will provide us with an opportunity to advance our wealth strategy by partnering with an organisation that offers a strong value proposition to investors and advisers. This investment will also give us access to a high growth, low (ongoing) capital intensive industry sector and additional funding.

We are ready to take advantage of improving market fundamentals. Rationalisation and consolidation of the industry and potential benefits from planned regulatory and legislative changes are likely to provide long-term benefits for us in this sector.

$3.7 bil
Leveraged Equities assets under management

28,364
Leveraged Equities clients

$2.6 bil
Sandhurst Trustees funds under trusteeship

8.8%
Increase in Leveraged Equities assets under management

100,470
Sandhurst Trustees clients

4.0%
Increase in Sandhurst Trustees funds under trusteeship

connect

Innovative partnerships which deliver specialised products and services

Joint Ventures

Our joint ventures enable us to offer an expanded range of specialist financial products and services. This not only adds to the diversity of our business but allows us to better serve our customers.

RURAL BANK

In addition to its own products and services, Bendigo and Adelaide Bank also offers a range of agribusiness products manufactured by Rural Bank under the Bendigo Bank Agribusiness banner.

Rural Bank is a 60 per cent majority owned subsidiary of Bendigo and Adelaide Bank, with more than 30,000 customers in farming communities across Australia introduced via Bendigo Bank and Elders Limited.

In August 2009, Rural Bank announced it would pursue further growth by broadening its distribution platform. This followed its rebranding from Elders Rural Bank to Rural Bank and culminated in the establishment of a distribution partnership with Ray White Rural in June 2010. This has launched a new era for a business that has grown to a point where it can take on a more independent identity.

Rural Bank also opened its first city based branches in Adelaide and Perth. This will enhance its profile in these locations and improve customer access, with 43 per cent of Rural Bank's deposit funds coming from metropolitan markets.

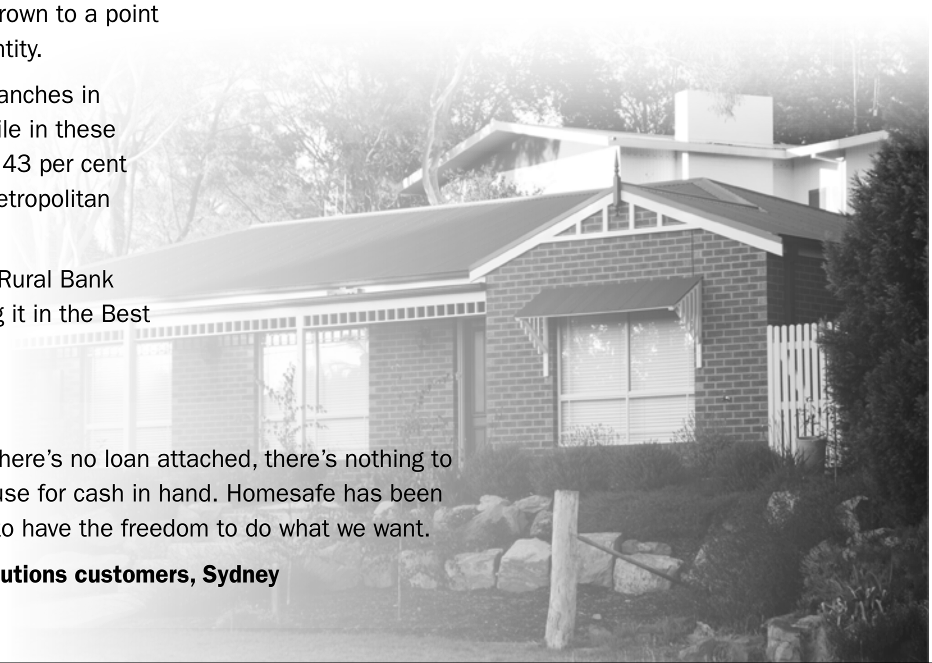
Money Magazine highlighted the value of the Rural Bank online term deposit, recognising and awarding it in the Best of the Best Awards.

Homesafe SOLUTIONS

The Homesafe Solutions joint venture is another great example of Bendigo and Adelaide Bank's acknowledgment of its social responsibilities. The group owns 50 per cent of the joint venture which was launched in July 2005.

The Homesafe Debt Free Equity Release product enables senior Australians to supplement their retirement savings by selling a part of the future sale proceeds of their home. This provides them with an opportunity to remain in their home and community for their lifetime.

It is the only product of its kind available and is currently offered in certain areas of Sydney and Melbourne.



They give you the money as a lump sum, there's no loan attached, there's nothing to pay back. You sell a percentage of the house for cash in hand. Homesafe has been very good for our lifestyle and it helps us to have the freedom to do what we want.

Joanne and Michael Bowie, Homesafe Solutions customers, Sydney

$55.4 mil

Rural Bank net profit after tax

$8.0 bil

Rural Bank assets and liabilities under management

$158.9 mil

Homesafe Solutions assets under management

23%

Increase in Rural Bank net profit after tax

30,000

Rural Bank customers

1300

Homesafe Solutions customers

community connect Supporting those who support us

Community Bank®

commUnity snapshots

> We had 600 fun run participants from special needs schools all around South East Queensland and just as many family, friends and teachers came along to support them. With help from our **Community Bank®** branch, local staff and the community, we organised an action-packed day to make the kids smile.

Gavin McNab, Branch Manager,
Margate Community Bank® Branch

1998	22	$17.9 bil
Community Bank® network established	**New Community Bank® branches 2009/10**	**Community Bank® assets and liabilities under management**
259	$41.0 mil	$14.7 mil
Community Bank® branches	**Profits returned to support local communities since 1998**	**Dividends paid to Community Bank® shareholders since 1998**

Community Bank® branches provide communities with more than just quality banking services. They deliver employment opportunities for local people, keep capital in the community, are a local investment option for shareholders and provide a source of revenue for important community projects as determined by the community.

Government funding was cut for the Kool Kids Club, an early intervention program aimed at indigenous and disadvantaged children. Our **Community Bank®** branch contributed $50,000 to save the service and keep the after-school and holiday programs running. The activities are designed to challenge and enhance the children's abilities and life skills.

Janet Kidson, Treasurer, Clovelly Community Financial Services

The $500,000 Moriac Medical Centre is a grassroots initiative designed to meet a vital community need. The community worked with Hesse Rural Health, consulted the council and partnered with the **Community Bank®** branch and we have ended up with a great medical facility that will benefit our local people.

Libby Coker, Mayor, Surf Coast Shire

West Beach and Districts **Community Bank®** Branch donated $20,000 to purchase and cover the operating costs of a new rescue boat and motor. One of the first rescue operations was performed by five junior lifesavers who saved the life of a local woman.

Peter Hodgkison, Branch Manager,
West Beach & District Community Bank® Branch

Our **Community Bank®** branch has been open for almost two years, but we've had great support with many people in the community choosing to bank with us. This has allowed us to start to make community grants. Even a small donation, like the the one we gave to the Bruce Rock Swimming Club can make a huge difference.

Alex Dickson, Branch Manager, Bruce Rock Community Bank® Branch

64,292

Community Bank® shareholders

1638

Community Bank® directors

25%

Of Community Bank® branches are the sole provider of branch banking services in their local community

548,000

Community Bank® customers

1252

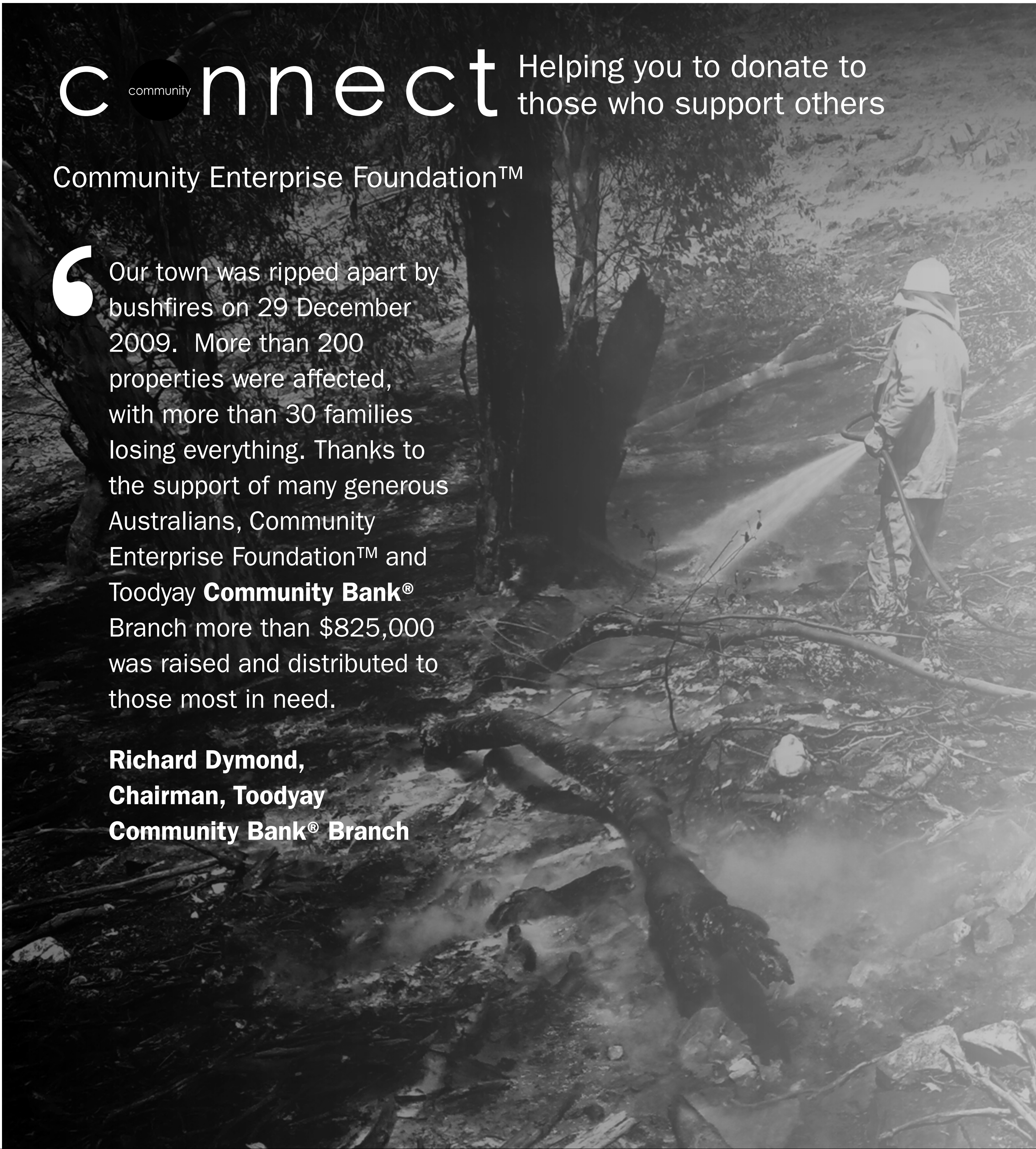
Community Bank® staff

75%

Of the last 100 Community Bank® branches opened had a major bank already operating in their local community

community connect

Helping you to donate to those who support others



Community Enterprise Foundation™

> Our town was ripped apart by bushfires on 29 December 2009. More than 200 properties were affected, with more than 30 families losing everything. Thanks to the support of many generous Australians, Community Enterprise Foundation™ and Toodyay **Community Bank®** Branch more than $825,000 was raised and distributed to those most in need.

Richard Dymond,
Chairman, Toodyay
Community Bank® Branch

2005 **Community Enterprise Foundation™ established**	2350 **Groups and organisations assisted since 2005**	$7.0 mil **Distributed to charitable projects and programs 2009/10**
$19.7 mil **Distributed to charitable projects and programs since 2005**	280 **Grants programs conducted since 2005**	619 **Groups and organisations assisted 2009/10**

Community Enterprise Foundation™ is the philanthropic arm of Bendigo and Adelaide Bank. It was established to make charitable giving more accessible to everyday Australians who wish to show their support for causes they believe in.

The Help Out Appeal raised more than $120,000 for six Salvation Army projects. These included youth accommodation and support services, assistance for young mums, domestic violence intervention programs, financial counselling and the Salvos' Soup Run. Our clients are very grateful for the bank's support.

Major Andrew Craib, Spokesperson, The Salvation Army

With the support of the Ringwood East community, the Community 30,000 Appeal has raised more than $28,000 to secure a companion dog for 10-year-old Alexia Charstone, who battles autism and severe epilepsy. The dog has reduced her anxiety levels, which will hopefully reduce stress related seizures.

Ray Tonisson, Senior Manager,
Ringwood East and Heathmont Community Bank® branches

The Mothers Milk Bank provides support to families when a new mother or baby has a life threatening illness or when the child is at risk of an illness that donor milk may prevent. Bank staff and the foundation have supported our White Shirt Day Appeal which played a big role in the service's success.

Marea Ryan, Director, Mothers Milk Bank

This is the fourth time in eight years that a bushfire has struck the Lower Eyre Peninsula. The fire razed at least 10 homes and destroyed our local SES headquarters. Through Community Enterprise Foundation™ and the Port Lincoln **Community Bank®** Branch, we raised $53,000 to help more than 80 locals rebuild.

Phil Channon, Branch Manager, Port Lincoln Community Bank® Branch

82

Grants programs conducted 2009/10

$150,000

Raised for Mothers Milk Bank Appeal 2009/10

$100,000

Upper Murray Bushfire Appeal 2009/10

$825,000

Raised for Toodyay Bushfire Appeal

$120,000

Raised for Building Bridges – Help Out Appeal 2009/10

$53,000

Raised for Port Lincoln Bushfire Appeal 2009/10

connect community Implementing change to sustain us

Environment and Sustainability

'Gisborne SES volunteers replaced more than 2500 energy hungry light bulbs during the Ban the Bulb campaign and raised more than $5000 for a new kitchen in their headquarters. Across Victoria, 54 communities participated in this year's program with more than 1000 volunteers changing about 200,000 light bulbs in 13,000 homes and businesses. This will save 100,000 tonnes of emissions and has generated $400,000 in income for community groups.

Jason Chuck, Branch Manager, Gisborne and District Community Bank® Branch

200,000
Energy efficient bulbs installed during Ban the Bulb 2009/10

13,000
Participating homes and businesses

$400,000
Income generated for community groups

1000
Ban the Bulb volunteers

100,000
Tonnes of emissions saved by Ban the Bulb 2009/10

$30.0 mil
Forecast savings on future energy bills

Bendigo and Adelaide Bank is committed to a path of sustainability. This means reducing our environmental footprint, promoting environmentally responsible business activities and offering environmentally responsible products and services.

The Central Victoria Solar City project offers products and services which allow participants to change their energy use behaviour, make energy efficient home renovations, trial innovative electricity pricing plans and generate their own local energy through household solar panels and solar hot water systems. Customers in Bendigo and Ballarat also have the option to support energy production from local solar parks.

Neriman Kemal, Spokesperson, Central Victoria Solar City

Knoxbrooke Incorporated is a not-for-profit organisation that provides employment, training and accommodation services for adults with disabilities in Melbourne's eastern suburbs. It operates a number of horticulture businesses including a wholesale nursery at Mt Evelyn. Thanks to Community Sector Banking we have a banking product suited to our needs which gives us greater control of our money.

Paul de Stefanis, Financial Controller, Knoxbrooke Incorporated

Zoos Victoria is establishing a purpose-built facility for a group of male gorillas at Werribee Open Range Zoo, ensuring they have space to roam and continue to receive excellent care. Thanks to Bendigo Bank Telco which raised $2500 to support us, we are one step closer to achieving our goal.

Paul Clark, Philanthropy Executive, Zoos Victoria Foundation

Last cropping season farmers grew 5000 hectares of seed to produce biodiesel. Soon, the biodiesel supplied by the project will be produced entirely in the area, retaining local capital in our region. It's ironic our grandfathers planted oats to feed horses and now we sow seed to feed horsepower.

David Johnson, Chairman, Lockmore Financial Services

346

Tonnes of paper recycled by our staff 2009/10

4577

Tonnes of carbon offsets purchased to balance 2009/10 travel emissions

0.5%

Discount on bank's residential variable rate available with Generation Green™ home loans

66.5%

Increase in paper recycled compared with 2008/09

20,000

Litres of water saved daily by The Bendigo Centre's Recycling Water Treatment Plant

1.0%

Discount on bank's standard personal loan rates available with Generation Green™ secured and unsecured personal loans

connect community Investing in people and events that inspire and enrich us

Sponsorships, Scholarships and Initiatives

“Essendon Football Club has partnered with Bendigo and Adelaide Bank to promote literacy and numeracy among young people. It’s about giving back and with companies such as the bank and Essendon so steeped in our community, this is just one of many ways we have chosen to respond to the community and its needs.

Ian Robson, CEO Essendon Football Club

Essendon Football Club
Retail sponsorship

Adelaide Festival of Arts
Corporate sponsorship

Helpmann Academy of the Arts
Corporate sponsorship

Bendigo Easter Festival
Retail sponsorship

Messenger Local Business Awards (SA)
Retail sponsorship

Bendigo and Adelaide Bank Scholarship
Corporate sponsorship

Bendigo and Adelaide Bank supports and contributes to a variety of community, sport, business, education and arts organisations. We not only offer financial assistance, but provide access to our network of partners and skilled staff through our volunteer work.

> When you live in the country and want to go to university you have to move away from the support of your family. The cost of living in the city is high, but with the help of the scholarship, I'm studying at the University of Melbourne. I have finally achieved what I worked so hard for at school.
>
> **Caitlin Chapman, Bendigo and Adelaide Bank Scholarship recipient**

> Thanks to the Youth Development Fund I was able to seize a fantastic opportunity, while making a real and lasting difference to Thai wildlife. I travelled to Thailand to build new enclosures for gibbons, providing a safe space to rehabilitate these animals impacted by poaching. The experience reinforced how precious and vulnerable wild animals are.
>
> **Fiona Boyle, Youth Development Fund recipient**

> The PlanBig website enables us to share information, build partnerships and support each other. Our community is using PlanBig to garner support for a new emergency services headquarters so that our community is better protected from bushfires and natural disasters. For every dollar the community raises, the Turramurra **Community Bank®** Branch will match it up to $100,000.
>
> **Denice Kelly, Branch Manager, Turramurra Community Bank® Branch**

> As editor of Lead On's LOOP publication in Bendigo, I have made important connections, improved my writing and communication skills and most importantly had a lot of fun. LOOP allows youth to stand up, speak up and be heard. It gives them a chance to express themselves through writing, photography or artwork and puts their passions in print.
>
> **Danielle Wheeldon, Editor, LOOP Bendigo**

2007 **Bendigo and Adelaide Bank Scholarship established**	15 **Scholarship recipients, 10 new and five ongoing 2009/10**	6 **Lead On locations and two outreach sites**
18 **Scholarship recipients since 2007**	$5000 **Support for each scholarship recipient in 2009/10**	250 **Lead On youth participants**

connect people United as one team to connect with you

Our people

"The bank partners with Bendigo Senior Secondary College to mentor students. I try to give the kids an understanding of the corporate environment and the various pathways into the finance industry. The program has also been personally rewarding for me as it has allowed me to engage with local youth.

Brendan Hamilton, IT Applications Programmer, Bendigo and Adelaide Bank

4153 **Bendigo and Adelaide Bank Staff**	2835 **Head office staff**	20 **School-based traineeships completed 2009/2010**
430 **Locations Australia-wide**	1318 **Bendigo Bank branch staff**	290 staff **undertaking external studies assistance scheme**

Bendigo and Adelaide Bank is proud of its people and the diversity of our employee community. We come together from across the country, always working towards our goal of becoming Australia's leading customer-connected bank. Our employees invest their time to ensure the success of the bank, its customers, partners and the community.

More than 20 bank employees volunteered 140 hours of their time as support crew to the 10 teams that participated in the 100 kilometre Oxfam Trailwalker. Overall the event raised $2.6 million to help provide clean water, shelter and food to people living in poverty around the world. At the bank we raised more than $50,000.

Mark Hayes, Alliance Banking, Bendigo and Adelaide Bank

We held our annual insurance and investment conference in Strath Creek close to the bushfire-devastated area of Flowerdale in Victoria. As part of our team building activities, we planted more than 400 native seedlings. It was great to know we were making a positive community contribution.

Richard Forrester, Senior Manager Investment and Protection, Bendigo and Adelaide Bank

Having the opportunity to take unpaid leave allowed me to spend six weeks at an orphanage in Ghana. I spent my time teaching classes at a local school and helping young children learn about colours, numbers and spelling. The journey really taught me to appreciate the simple things in life.

Megan O'Reilly, Customer Service Officer, Bendigo Bank Brisbane

Bendigo Bank's Benalla Branch staff serve about 50 meals a month to local residents through a Meals on Wheels program. We find the experience very rewarding. It's fantastic to meet new people and help them out by providing a nutritious hot meal they may otherwise not be able to provide for themselves.

Jenny Lee, Customer Relationship Manager, Bendigo Bank Benalla

98%

Staff committed to perform their job well

92%

Staff proud of the work they do

83%

Staff with up to 10 years service

8%

Staff with 10 to 15 years service

4%

Staff with 15 to 20 years service

5%

Staff with over 20 years service

connect people

Leading to ensure we work as one team with one vision

Executives

Mike Hirst, Managing Director

"I know our whole team is committed to ensuring we are Australia's leading customer-connected bank. By really listening to what it is our customers, partners and communities are trying to achieve we can ensure we play a role in helping them realise their goals. If we do this well, we will certainly achieve our ultimate vision."

Marnie Baker, Banking and Wealth

"By creating an environment that listens and genuinely cares about the customer outcome we have a real opportunity to add value to customers, communities and partners across Australia by providing quality solutions that are relevant to their individual needs."

Russell Jenkins,
Customer and Community

"Our focus on our customers and our efforts with communities beyond banking is our point of difference, it's what sets us apart and it's why people choose to bank with us. It's imperative we recognise each customer and community's individual needs and work with them to achieve their goal."

Dennis Bice, Retail

"We are looking at ways we can make it easier for customers to do business with us. We will continue to deliver products and services to achieve this and meet customer needs, while maintaining leading customer satisfaction levels."

Tim Piper, Risk

"Risk is the responsibility of every employee. Risk is a major component of the financial landscape and must be managed effectively. In an ever-changing environment, we are committed to identifying the right opportunities for our business to pursue."

John Billington,
Wealth and Third Party Banking

"At the heart of our business is the experience that we create for our customers. We strive to be the preferred partner in helping our customers grow in a rapidly changing financial environment."

Stella Thredgold, Corporate Resources

"Corporate Resources provides expert advisory and support services to ensure the business' success. We are people focussed and aim to provide our staff and partners with the resources, technology and skills they need to perform at their best so they can deliver industry leading customer service."

Richard Fennell, Finance and Treasury

"Developing and implementing financial strategies and solutions for the group is integral to our success. We must continue to actively monitor and manage our financial performance and raise appropriate funding and capital to meet the bank's requirements."

Andrew Watts, Change

"Successful companies respond to the changing needs of their customers. The newly created Change team coordinates the many initiatives undertaken by the bank to ensure we remain relevant, connected and valued by our customers and partners. Change is considered holistically - people, process and technology."

Detailed profiles of our executives can be found online at www.bendigoadelaide.com.au

Driving the strategy and vision to deliver results

Directors

Robert Johanson BA, LLM (Melb), MBA (Harvard)

- Chairman, Bendigo and Adelaide Bank (appointed 2006)
- Governance and HR, Change Framework and IT Governance committees, Bendigo and Adelaide Bank
- Director, Rural Bank
- Chairman, Homesafe Solutions

Mike Hirst BCom (Melb)

- Managing Director and Chief Executive Officer, Bendigo and Adelaide Bank (appointed 2009)
- Credit and Risk committees, Bendigo and Adelaide Bank
- Director, Rural Bank

David Matthews Dip BIT, GAICD

- Independent Director, Bendigo and Adelaide Bank (appointed 2010)
- Credit and Risk committees, Bendigo and Adelaide Bank

Kevin Abrahamson

BSc (hons), MA, MBA, FAICD, FFin, FAIM

- Independent Director, Bendigo and Adelaide Bank (appointed 2007)
- Audit and Change Framework and IT Governance committees, Bendigo and Adelaide Bank

Terry O'Dwyer

BCom, Dip Adv Acc, FCA, FAICD

- Independent Director, Bendigo and Adelaide Bank (appointed 2000)
- Chair, Change Framework and IT Governance Committee, Bendigo and Adelaide Bank
- Audit and Risk committees, Bendigo and Adelaide Bank

Jenny Dawson

BSc (Hons), MA, MBA, FAICD, FFin, FAIM

- Independent Director, Bendigo and Adelaide Bank (appointed 1999)
- Chair, Audit Committee, Bendigo and Adelaide Bank
- Credit Committee, Bendigo and Adelaide Bank
- Chair, Sandhurst Trustees
- Director, Community Sector Banking and Community Sector Enterprises

Deborah Radford

BCom (Melb), ASA, MBA (Melb)

- Independent Director, Bendigo and Adelaide Bank (appointed 2006)
- Chair, Credit Committee, Bendigo and Adelaide Bank
- Audit, Change Framework and IT Governance, Governance and HR committees, Bendigo and Adelaide Bank

Jim Hazel BEc, FFin

- Independent Director, Bendigo and Adelaide Bank (appointed 2010)
- Credit, Risk and Governance and HR committees, Bendigo and Adelaide Bank

Tony Robinson

BCom (Melb), ASA, MBA (Melb)

- Independent Director, Bendigo and Adelaide Bank (appointed 2006)
- Chair, Risk and Governance and HR committees, Bendigo and Adelaide Bank

Detailed profiles of our directors can be found online at www.bendigoadelaide.com.au

connect

Full Financial Report

For the 12 month period ending

30 June 2010

Bendigo and Adelaide Bank

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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 integrity in the conduct of its business has been an important element of its success during its 152-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, business change framework, technology governance 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 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. The Board Policy (appointment, re-election, independence, renewal, performance and remuneration) 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 material 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 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 31 to 34 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 or disclosed in the information about directors later in this governance statement, has ever been employed by 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 considers the tenure of long serving directors as part of its renewal planning. The Board believes that the term of service on the Board should not be considered as a factor affecting a director's ability to exercise unfettered and independent judgement. It is the view of the Board that longstanding directors bring an additional level of experience and understanding of the development of the business and a depth of perspective to the Board that is of value to the Board and Company. This is discussed further in the next section.

The Board policy on independence (refer "Board Policy") is available from the website.

1.c Composition, Appointment, Re-Election and Renewal

Composition and appointment

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 and the Managing Director. The roles of the Chairman and Managing Director are separated. Information on each of the directors is set out on pages 31 to 34.

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.

This involves taking into account the Company's strategy, which includes building a long term sustainable business founded on creating an environment that encourages customer, community and partner relationships and engagement to deliver prosperity for all stakeholders, which in turn creates prosperity for the Company.

There is a regular review of the skills, knowledge and experience represented on the Board, including as part of the annual performance assessment process, necessary to deliver the strategy of the group.

A Board skill matrix has been adopted by the Board. The matrix sets out the types of skills and experience desirable on the Board and is used to identify potential gaps in skills and experience within the Board. In developing the matrix, the Board has taken into account the benefits to the organisation of having Board representation relating to strategic points of difference and having an appropriate blend of tenure and experience to ensure there is an understanding of the challenges to an organisation through economic cycles and changes in the market environment.

The Board has decided that the desired skills and experience include various banking and finance related skills as well as listed company CEO experience and regional and community understanding.

In addition, as Bendigo and Adelaide Bank aims to be Australia's leading customer connected Bank, it is important that the Board membership supports this strategy. By having directors from our key franchise locations, including regional Victoria, South Australia and Queensland, we demonstrate a closer connection with, and commitment to, these communities and directors are expected to bring an understanding of local priorities and ambitions.

Renewal and re-election

The Board has adopted a renewal policy to ensure the progressive and orderly renewal of the Board. Board members should have a mix of tenure to ensure a periodic infusion of new members and to avoid a significant number of directors retiring together. The board takes the view that having regard to the complexities of the financial services and banking industry, the development of expertise and knowledge of the industry and, specifically of the Bank and the group, takes time.

Also having regard to the strategy to build a sustainable business, corporate memory is important and there is a benefit in board continuity across economic cycles. The ability to draw on the knowledge of directors who have experienced previous economic downturns, market disruptions and significant industry developments is valued by the Board.

The re-election of directors at the end of their term is not an automatic process. Before a recommendation to shareholders is made, the Board makes an assessment and decision. This includes taking into account the skills, knowledge and experience needed on the current Board and the statement by the director seeking re-election.

The policy and procedure for composition, appointment and re-election and renewal (refer "Board Policy") 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.

Suggested changes or ideas for improvement are taken forward for action if agreed. The Chair also provides feedback to individual directors on their individual performance where appropriate.

The performance assessments are conducted using questionnaires tailored to evaluate the performance of the Board, non-executive directors, the Managing Director and each Board Committee. Each year, the Board and Board Committees set goals and objectives for the next financial year. The goals and objectives are approved by the full Board.

The performance assessment process involves consideration of the performance of the Board and Board Committees against their respective Charters and the achievement of the goals and objectives linked to board and committee responsibilities set at the start of the financial year.

Further information on the performance evaluation procedure (refer "Board Policy") is available from the website.

1.e Remuneration

The Remuneration Report in the Directors' Report includes a discussion of non-executive director and executive remuneration policies, executive performance and details of remuneration paid.

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.

1.g Grant Samuel advisory services

Mr Johanson is a director of Grant Samuel Group Pty Ltd (and subsidiaries).

The Bank obtains corporate advisory services from investment banking and corporate advisory firms. This includes Grant Samuel.

In choosing a provider for corporate advisory services the factors the Bank takes into account include the type of assistance required, the expertise of the firm and individuals in the firm, their understanding of the Bank and its strategy, and the cost of the services.

The Bank has a long standing and valuable relationship with Grant Samuel. Grant Samuel brings a sound understanding of the Bank, its strategy and its approach to opportunities. Steps are taken to ensure Grant Samuel also prices work undertaken competitively.

The Board believes that the engagement of Grant Samuel does not prejudice the independence of Mr Johanson.

Accordingly, the Board has adopted a protocol for the engagement of Grant Samuel, and it is unlikely that the Bank would approve an engagement if it believed that the engagement could impact on the independence of Mr Johanson. The protocol deals with the following two key matters:

- The decision whether to appoint Grant Samuel.
- The involvement of Mr Johanson.

Appointment

The appointment may be by the Managing Director if the matter comes within quantitative materiality guidelines set by the Board and does not involve a success fee or break fee. Otherwise the appointment can only be made by the Board. This includes a consideration of the following:

- Confirmation from Grant Samuel regarding the materiality of the transaction to Grant Samuel.
- Confirmation from Mr Johanson regarding the materiality of the transaction to Mr Johanson and whether Mr Johanson believes the engagement would interfere with his exercise of independent judgment as a director.
- Whether the engagement would impact on the independence of Mr Johanson, taking into account the above confirmations, and materiality from the perspective of the Bank.
- Whether Mr Johanson may be present and participate in Board discussions and vote on the matter in which Grant Samuel provides advice.
- Whether the engagement of Grant Samuel is in the best interests of the Bank.

Involvement

Mr Johanson is not present and does not participate in the Board decision on whether to engage Grant Samuel. He may be invited to join the meeting to answer questions or make additional comments (including if Mr Johanson is aware of any reason it would not be in the interests of the Bank to engage Grant Samuel in the matter under consideration), but then is required to leave the meeting for the discussion and decision.

If Grant Samuel is engaged, there are a number of restrictions on Mr Johanson's involvement, including the following:

- The primary responsibility for management of the matter by Grant Samuel is to be with personnel other than Mr Johanson.
- The work and strategic advice is to be carried out by the personnel other than Mr Johanson. Contact is to be with those personnel.
- Mr Johanson is to have a review role only in relation to advice, and if Mr Johanson attends any meetings, he is to do so as a director of the Bank.
- If the Board has decided that Mr Johanson can participate in decision-making on the matter, Mr Johanson is required to make an independent assessment of advice provided by Grant Samuel and raise any concerns with the Managing Director or the Board, as appropriate.

Umbrella engagement terms have been agreed with Grant Samuel (without the involvement of Mr Johanson), including fees, and specific engagements are documented.

Engagements

During the year Grant Samuel was engaged to provide advice on the purchase of Tasmanian Banking Services, the Company's strategy for the Great Southern managed investment schemes and the Bank's Adelaide and Sydney long term accommodation projects.

1.h Rural Bank

Rural Bank Limited became a controlled entity following an increase in shareholding and approval of amendments to the shareholders agreement governing the joint venture in October 2009. The operations and performance of Rural Bank continue to be overseen by a board of directors comprising representatives from Bendigo and Adelaide Bank Limited, Elders Limited and a number of independent directors.

A review of the governance and oversight arrangements for Rural Bank has been completed and appropriate enhancements to the Bank's governance arrangements have been implemented. Further enhancements will be progressively implemented over the next financial year in consultation with the Rural Bank Board. The oversight arrangements include representation on Rural Bank's Board, its board and management committees and the inclusion of financial information into the group's reporting structures.

THE BOARD

Current

NAME, AGE, QUALIFICATIONS AND INDEPENDENCE STATUS	SKILLS, EXPERIENCE, EXPERTISE, RELATIONSHIPS
Robert Johanson **Chairman** (59 years) BA, LLM (Melb) MBA (Harvard) **Independent Director** **TERM OF OFFICE** Director for 23 years and appointed as Chairman during 2006. Previously Deputy Chairman for 5 years. *Seeking re-election at 2010 AGM	Mr Johanson has expertise in corporate strategy, capital and risk management. He has provided independent corporate advice on 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) which provides professional advisory services to the Group. Information on the engagement of Grant Samuel is discussed at Section 1.g. **Group and joint venture company directorships** Rural Bank Ltd Homesafe Solutions Pty Ltd (Chair) **Committees** Governance & HR Change Framework & Technology Governance
Mike Hirst **Managing Director (appointed on 3 July 2009)** (52 years) BCom (Melb) **Executive Director and Chief Executive Officer** **TERM OF OFFICE** Employee since 2001 and appointed CEO and Managing Director in July 2009.	Mr Hirst has extensive experience in banking, treasury, funds management and financial markets. 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. Prior to joining the Bank he had worked for 11 years in senior executive and management positions with Colonial Ltd including General Manager 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. He is a director of Treasury Corporation of Victoria, a member of the Australian Government's Financial Sector Advisory Council, a member of the Business Council of Australia, a Councillor of the Australian Bankers' Association and a director of a number of the group's subsidiary companies. He previously held directorships with Colonial First State Investment Managers, Barwon Health and Austraclear Ltd. **Group and joint venture company directorships** Rural Bank Limited **Committees** Change Framework & Technology Governance (ceased Sept 2009) Credit Risk
Kevin Abrahamson (65 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	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 previously was a director of Fiducian Portfolio Services Limited. **Group and joint venture company directorships** Sunstate Lenders Mortgage Insurance Pty Ltd (ceased Oct 2009) **Committees** Audit Change Framework & Technology Governance

NAME, AGE, QUALIFICATIONS AND INDEPENDENCE STATUS	**SKILLS, EXPERIENCE, EXPERTISE, RELATIONSHIPS**
Jenny Dawson (45 years) B Bus (Acc) FCA, MAICD **Independent Director** **TERM OF OFFICE** Director for 11 years.	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 currently a member of the Victorian Regional Development Advisory Committee and is also the inaugural Chairman of the Regional Development Australia Committee for the Loddon Mallee Region. Her former roles include as a director of Coliban Region Water Corporation and an employee of the Bank (ceased 1999). **Group and joint venture company directorships** Sandhurst Trustees Limited (Chair) (appointed Sept 2009) Adelaide Managed Funds Limited (Chair) (ceased Aug 2009) Community Sector Banking Pty Ltd Community Sector Enterprises Pty Ltd **Committees** Audit (Chair) Credit
Jim Hazel (59 years) BEc, FFin **Independent Director** **TERM OF OFFICE** Appointed in March 2010 *Seeking election at 2010 AGM	Mr Hazel is a prominent South Australian businessman with significant banking experience and knowledge of the regional banking industry. Mr Hazel was the chairman of the Company's majority-owned subsidiary Rural Bank and continues as a non-executive director of Rural Bank. Mr Hazel is also chairman of Xenome Limited and RED Fund Management Pty Ltd. He also serves as a Director on the boards of Impedimed Limited, Motor Accident Commission and Centrex Metals Limited, and is a board member of the Council on the Ageing (SA) Inc. and War Veterans' Homes (Myrtle Bank) Inc. He is a former director of Becton Property Group Limited and Terramin Australia Limited, and was a senior executive of Adelaide Bank in the 1990's. There are no continuing executives from the time Mr Hazel held this role. **Group and joint venture company directorships** Nil **Committees** Risk Credit Governance & HR
Terry O'Dwyer (60 years) B Com Dip Adv Acc FCA, FAICD **Independent Director** **TERM OF OFFICE** Director for 10 years. *Seeking re-election at 2010 AGM	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 and a director of Queensland Theatre Company Ltd, Backwell Lombard Capital Pty Ltd and Retravision Southern Ltd. He has previously chaired MFS Limited, Roamfree Ltd and Brumby's Bakeries Holdings Ltd and has served on other public company boards 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. **Group and joint venture company directorships** Sunstate Lenders Mortgage Insurance Pty Ltd (ceased Oct 2009) **Committees** Audit Risk Change Framework & Technology Governance (Chair)

NAME, AGE, QUALIFICATIONS AND INDEPENDENCE STATUS	SKILLS, EXPERIENCE, EXPERTISE, RELATIONSHIPS
David Matthews **(52 years)** Dip BIT, GAICD **Independent Director** **TERM OF OFFICE** Appointed in March 2010 *Seeking election at 2010 AGM	Mr Matthews was an innovative pioneer in the early days of the **Community Bank®** network, chairing the first **Community Bank®** company in Rupanyup and Minyip and serving as a director since 1998. Mr Matthews has a strong connection to regional communities and is an advocate and supporter of the **Community Bank®** model. Mr Matthews is currently a co-chairman of the **Community Bank®** Strategic Advisory Board ("CBSAB"). The CBSAB was established in 2008 and comprises representatives from the Bank and from **Community Bank®** company franchisees. Its purpose is to provide a forum for discussion between the Bank and **Community Bank®** franchisees on strategic issues and opportunities that enhance the prospects of the **Community Bank®** model. Mr Matthews is also a Director on the board of Pulse Australia and Australian Field Crops Association. **Group and joint venture company directorships** Nil **Committees** Risk Credit
Deb Radford (54 years) B.Ec G. Dip Finance & Investment **Independent Director** **TERM OF OFFICE** Director for 5 years.	Ms Radford has nearly 20 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. **Group and joint venture company directorships** Nil **Committees** Credit (Chair) Audit Change Framework & Technology Governance Governance & HR
Tony Robinson (52 years) B Com (Melb) ASA MBA (Melb) **Independent Director** **TERM OF OFFICE** Director for 5 years.	Mr Robinson is employed by Centrepoint Alliance Limited as an executive director and chief executive officer. He was previously employed as an executive director and chief executive officer of IOOF Holdings Ltd from 2007 until April 2009 and prior to that was the managing director and chief executive officer of OAMPS Limited. He was previously also a director of VECCI. Mr Robinson's other previous management positions include joint managing director of Falkiners Stockbroking, managing director of WealthPoint, chief financial officer of Link Telecommunications and general manager corporate services at Mayne Nickless. **Group and joint venture company directorships** Nil **Committees** Risk (Chair) Governance & HR (Chair)

Former

NAME, AGE, QUALIFICATIONS AND INDEPENDENCE STATUS	SKILLS, EXPERIENCE, EXPERTISE, RELATIONSHIPS
Jamie McPhee (45 years) BEng (Hons) MBA FAICD, SF Fin **Executive Director** **TERM OF OFFICE** Appointed to Board in November 2007 and resigned in January 2010. Appointed to Adelaide Bank Board in 2006	Mr McPhee was 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. **Group and joint venture company directorships** Adelaide Managed Funds Limited (ceased Aug 2009) Leveraged Equities Limited (ceased Feb 2010) Rural Bank Limited (ceased Feb 2010) **Committees** Risk Credit Change Framework & Technology Governance
Kevin Osborn **Deputy Chairman** (60 years) FAICD, FPNA **Independent Director** **TERM OF OFFICE** Appointed to Board in November 2007 and resigned in December 2009. Appointed to Adelaide Bank Board in 2003	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, and ABB Grain Limited. He is a director on 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 approved a protocol that sets out arrangements for dealing with potential conflicts of interest connected with the financial services activities of ABB Grain Limited. **Group and joint venture company directorships** Nil **Committees** Credit (Chair) Audit Risk
Kevin Roache (70 years) LLB, B Com ASCPA, FAICD **Independent Director** **TERM OF OFFICE** Appointed to the Board in 1992 and retired from the Board in October 2009	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. **Group and joint venture company directorships** Nil **Committees** Credit Risk Governance & HR

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 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 (Human Resources)	At least 3 members. A majority of independent directors. An independent chair.	Mr Robinson (Chair) Mr Johanson Mr Hazel Ms Radford	The role of the Committee is to provide assistance to the Board in relation to the following. ➢ Board composition and succession planning. ➢ Board performance ➢ Remuneration including executive remuneration policy ➢ Recommend remuneration arrangements for the CEO and senior executives to the Board. ➢ Corporate governance matters generally ➢ Key human resource policies.
Risk	At least 3 members. A majority of independent directors. An independent chair.	Mr Robinson (Chair) Mr O'Dwyer Mr Hazel Mr Matthews 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, financial crimes, anti-money laundering and counter terrorism financing and business continuity.
Credit	At least 3 members. A majority of independent directors. An independent chair.	Ms Radford (Chair) Ms Dawson Mr Hazel Mr Matthews 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, the overall business strategy and management expertise.
Change Framework & Technology Governance	At least 3 members. A majority of independent directors. An independent chair.	Mr O'Dwyer (Chair) Mr Abrahamson Mr Johanson Ms Radford	The role of the Committee is to provide oversight and monitoring of the organisation's Change and Technology Services functions including the alignment and engagement of these functions with the business, systems stability, technology infrastructure investment, information security and major project management.

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 Board Credit Committee is responsible for setting policies in relation to credit practices and procedures within the group and monitoring adherence to these policies. The Credit Committee (management 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.
- *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 Units 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 Department and Group Treasury.
- *Operational risk*: The risk of impact on objectives 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 Operational Risk Committee (management 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).

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 Executive: 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.

- 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.
- 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.

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 financial 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. To support the annual statement, in addition to the above arrangements, as part of the half-year and year-end reporting processes the audit committee receives a detailed report confirmed by Group Assurance setting out the nature and scope of all non-audit services provided during the year, including respective fee amounts. The report also includes confirmation from relevant senior management that they are not aware of any matters that might impact the auditor's independence.

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
- Online shareholder question and answer facility
- 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 from others in the industry.

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 securities 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.28
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:* Board Policy (1)
	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:* Board Policy (1)
	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.31 to p.34 for director details and p.73 for director attendance at Committee meetings *Documents on website:* Constitution, Board charter, Governance & HR Committee charter, Committee procedural rules, Board Policy (1)
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:* 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, Trading Policy

(1) Board Policy – Appointment, re-election, independence, renewal, performance and remuneration

<table>
<tr><td rowspan="4">4. Safeguard integrity in financial reporting</td><td>4.1 The Board should establish an audit committee.</td><td>Status: Adopted
Annual report: Section 2.a</td></tr>
<tr><td>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.</td><td>Status: Adopted
Annual report: Section 2.a</td></tr>
<tr><td>4.3 The audit committee should have a formal charter.</td><td>Status: Adopted
Annual report: Section 2</td></tr>
<tr><td>4.4 Companies should provide the information indicated in the Guide to reporting on Principle 4.</td><td>Status: Adopted
Annual report: Section 1.b, 2.a and see Directors' Report p.73 for director attendance 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 Principles and Systems Description - Summary</td></tr>
<tr><td rowspan="2">5. Make timely and balanced disclosure</td><td>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.</td><td>Status: Adopted
Annual report: Section 5
Documents on website:
Continuous Disclosure Policy</td></tr>
<tr><td>5.2 Companies should provide the information indicated in the Guide to reporting on Principle 5.</td><td>Status: Adopted
Annual report: Section 5
Documents on website: Continuous disclosure policy, Communications policy</td></tr>
<tr><td rowspan="2">6. Respect the rights of shareholders</td><td>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.</td><td>Status: Adopted
Annual report: Section 5
Documents on website:
Communications policy</td></tr>
<tr><td>6.2 Companies should provide the information indicated in the Guide to reporting on Principle 6.</td><td>Status: Adopted
Annual report: Section 5
Documents on website:
Communications Policy</td></tr>
<tr><td rowspan="2">7. Recognise and manage risk</td><td>7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.</td><td>Status: Adopted
Annual report: Section 3
Documents on website:
Risk Management Principles & Systems Description - Summary</td></tr>
<tr><td>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.</td><td>Status: Adopted
Annual report: Section 3</td></tr>
</table>

	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 Principles and Systems Description - Summary
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.73 for committee attendance p.54 and p.70 for remuneration policies *Documents on website*: Governance & HR Committee charter, Remuneration policy; Board Policy; Employee Share Plans

FIVE YEAR HISTORY

The Bendigo and Adelaide Bank Group

Financial Performance for the year ended 30 June

	2010 [1] $m	2009 [2] $m	2008 [3] $m	2007 $m	2006 $m
Interest income	2,712.2	3,154.7	2,695.6	1,058.6	907.4
Interest expense	1,857.6	2,519.7	2,098.1	701.5	592.4
Net interest income	854.6	635.0	597.5	357.1	315.0
Other income	280.4	238.7	272.4	205.1	201.8
Bad & doubtful debts expense (net of bad debts recovered)	44.7	80.3	23.1	8.2	7.0
Other expenses	739.6	674.1	560.5	376.1	344.1
Profit before income tax expense	350.7	119.3	286.3	177.9	165.7
Income tax expense	(90.8)	(35.5)	(87.3)	(56.2)	(49.0)
Profit after income tax expense	242.6	83.8	198.3	121.8	116.7
Net (profit)/loss attributable to non controlling interest	(17.3)	-	(0.7)	0.1	-
Adjustments	48.4	97.7	41.3	(3.3)	(14.2)
Cash basis earnings	291.0	181.5	239.6	118.5	102.5
Financial Position at 30 June					
Total assets	52,141.1	47,114.2	48,049.0	17,001.6	15,196.1
Net loans and other receivables	43,521.8	38,740.9	40,105.0	13,773.3	12,376.0
Cash and cash equivalents	1,040.2	1,148.0	1,608.6	329.1	479.8
Financial assets and derivatives	4,848.6	4,360.3	3,647.8	2,249.0	1,854.3
Other assets	2,730.5	2,780.6	2,113.9	650.2	486.0
Equity	3,880.4	3,118.7	3,297.9	1,015.0	899.5
Deposits and Notes payable	46,119.0	41,854.3	42,697.1	15,146.6	13,525.8
Reset preference share	89.5	89.5	89.5	-	-
Subordinated debt	532.9	598.7	675.8	307.2	307.1
Other liabilities	1,519.3	1,453.0	1,288.7	532.8	463.7
Share Information					
Net tangible assets per ordinary share	$5.27	$4.31	$5.60	$5.40	$4.78
Earnings per ordinary share - cents	67.4	25.4	87.7	81.9	81.5
Cash basis earnings per ordinary share - cents	83.3	62.6	111.1	82.9	73.2
Dividends per ordinary share:					
Interim - cents	28.0	28.0	28.0	24.0	22.0
Final - cents	30.0	15.0	37.0	34.0	30.0
Total - cents	58.0	43.0	65.0	58.0	52.0
Ratios					
Profit after tax before significant items return on average assets	0.56%	0.36%	0.72%	0.80%	0.75%
Return on average assets	0.49%	0.18%	0.61%	0.76%	0.80%
Cash basis return on average ordinary equity	8.40%	5.79%	12.29%	15.38%	14.51%
Return on average ordinary equity	6.79%	2.35%	9.70%	15.18%	16.16%

1 Figures for 2010 include the fully consolidated trading of Rural Bank from 1 October 2009, Tasmanian Banking Services from 1 August 2009.
2 Figures for 2009 include the fully consolidated trading of Macquarie margin lending portfolio.
3 Figures for 2008 include the merger with Adelaide Bank effective 30 November 2007.

FIVE YEAR COMPARISON

The Bendigo and Adelaide Bank Group

Financial Performance for the year ended 30 June

		2010 (1)	2009	2008 (3)	2007	2006
Key Trading Indicators						
Retail deposits - branch sourced	($m)	21,876.7	20,799.9	14,986.8	11,641.3	10,771.4
Number of depositors' accounts - branch sourced		1,812,286	1,754,849	1,638,443	1,418,088	1,309,957
Total loans approved	($m)	11,916.6	9,137.4	8,845.2	7,018.0	6,189.6
Number of loans approved		147,069	130,670	81,853	73,236	66,227
Liquid assets and cash equivalents	($m)	5,888.8	5,508.3	5,256.4	2,578.1	2,334.1
Total assets	($m)	52,141.1	47,114.2	48,049.0	17,001.6	15,196.1
Liquid assets & cash equiv as proportion of total assets	(%)	11.29	11.69	10.94	15.16	15.36
Number of branches(2)		448	426	404	357	335
Average deposit holdings per branch	($m)	48.8	48.8	37.1	32.6	32.2
Number of staff (excluding Community Banks)	(FTE)	3,847	3,598	3,478	2,428	2,343
Assets per staff member	($m)	13.554	13.095	13.815	7.002	6.486
Staff per million dollars of assets(4)		0.07	0.08	0.07	0.14	0.15
Dissection of Loans by Security (5)	($'000)					
Residential loans		28,875.5	28,569.4	29,840.4	10,193.3	9,233.0
Commercial loans		10,182.1	5,987.6	5,712.3	2,905.0	2,561.9
Margin lending		3,627.0	3,475.9	3,773.8	90.50	-
Unsecured loans		823.7	707.1	737.9	472.4	413.1
Other		191.0	183.1	193.9	182.9	228.6
Gross loans		43,699.3	38,923.1	40,258.3	13,844.1	12,436.6
Dissection of Loans by Security (5)	(%)					
Residential loans		66.08	73.40	74.12	73.63	74.24
Commercial loans		23.30	15.38	14.19	20.98	20.60
Margin lending		8.30	8.93	9.37	0.65	0.00
Unsecured loans		1.88	1.82	1.83	3.41	3.32
Other		0.44	0.47	0.49	1.33	1.84
Total		100.00	100.00	100.00	100.00	100.00
Asset Quality						
Impaired loans	($m)	257.5	223.6	59.4	18.2	14.9
Specific provisions	($m)	(78.3)	(66.9)	(21.6)	(8.4)	(9.0)
Net impaired loans	($m)	179.2	156.7	37.8	9.8	5.9
Net impaired loans % of gross loans	(%)	0.47	0.42	0.09	0.07	0.05
Specific provision for impairment	($m)	79.1	67.7	22.1	8.4	9.1
Specific provision % of gross loans less unearned income	(%)	0.18	0.18	0.06	0.06	0.07
Collective provision	($m)	47.1	44.3	36.8	11.4	8.8
General reserve for credit losses (general provision)	($m)	104.7	86.1	76.2	45.3	40.6
Collective provision (net of tax effect) & GRCL (general provn) as a % of risk-weighted assets	(%)	0.54	0.54	0.51	0.55	0.55
Loan write-offs as % of average total assets	(%)	0.01	0.04	0.03	0.04	0.04

1 Figures for 2010 include the fully consolidated trading of Rural Bank from 1 October 2009, Tasmanian Banking Services from 1 August 2009 and Macquarie margin lending portfolio from January 2009.
2 Includes Community Bank branches.
3 Includes staff increases from the merger with Adelaide Bank.
4 These ratios do not take into account off-balance sheet assets under management, which totalled $1.9 billion at 30 June 2010 (2009: $2.4 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 146th Financial Report of Bendigo and Adelaide Bank Limited and its controlled entities for the year ended 30 June 2010.

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)
Mike Hirst (Managing Director) [(1)]
Kevin Osborn (Deputy Chairman) [(2)]
Kevin Abrahamson
Jenny Dawson
Jim Hazel [(3)]
David Matthews [(3)]
Jamie McPhee [(4)]
Terry O'Dwyer
Deb Radford
Kevin Roache [(5)]
Tony Robinson

[(1)] Mr Hirst was appointed as Managing Director on 3 July 2009.
[(2)] Mr Osborn resigned from the board on 3 December 2009.
[(3)] Mr Hazel and Mr Matthews were appointed to the board on 1 March 2010.
[(4)] Mr McPhee resigned from the board on 27 January 2010.
[(5)] Mr Roache resigned from the board on 26 October 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 an Institutional Entitlement	26,618,172
Ordinary shares issued under a Retail Entitlement	17,854,868
Ordinary shares issued under Employee Share Grant Scheme	340,039
Ordinary shares issued under Executive Performance Share Plan	1,540,360
Ordinary shares issued under the Dividend Reinvestment Plan	5,426,807
Ordinary shares issued in lieu of dividends under the Bonus Share Scheme	560,953
Ordinary shares issued under upon acquisition of Tasmanian Banking Services Limited	781,910
Total ordinary shares issued	**53,123,109**

Share Options and Rights

Unissued Shares:

As at the date of this report, there were 1,039,245 unissued ordinary shares under options, 166,191 rights to unissued ordinary shares and 913,263 performance 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, Performance Shares 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, 46,076 performance rights vested (2009: 19,043) and 255,918 (2009: nil) performance shares vested and were automatically exercised to acquire ordinary shares in the Company at a nil exercise price. No options to acquire ordinary shares in the Company vested during the year.

Ordinary Share Dividends Paid or Recommended

Dividends paid:	
Final dividend 2009 of 15.0¢ per share, paid September 2009	$44.0 million
Interim dividend 2010 of 28.0¢ per share, paid March 2010	$97.5 million
Dividend recommended:	
Final dividend 2010 of 30.0¢ per share, declared by the directors on 9 August 2010, payable 30 September 2010	$106.1 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 2009	1,607,958
March 2010	3,818,849
In addition, shareholders electing to receive bonus shares in lieu of dividends received the following ordinary shares, paid in full:	
September 2009	304,421
March 2010	256,532

Preference Share Dividends Paid or Recommended

Dividends paid:	
84.60 cents per share paid on 15 September 2009 (2008: 161.60 cents)	$0.7 million
86.47 cents per share paid on 15 December 2009 (2008: 152.98 cents)	$0.8 million
99.25 cents per share paid on 15 March 2010 (2009: 104.89 cents)	$0.9 million
104.63 cents per share paid on 15 June 2010 (2009: 79.12 cents)	$1.0 million
Dividend announced:	
A dividend of 113.7 cents per security for the period 15 June 2010 to 14 September 2010 (inclusive), announced on 16 June 2010, payable 15 September 2010	$1.1 million
All dividends were fully franked	

Step-up Preference Share Dividends Paid or Recommended

Dividend paid:	
86.00 cents per share paid on 10 July 2009 (2008: 168.00)	$0.9 million
86.00 cents per share paid on 12 October 2009 (2008: 167.00)	$0.9 million
98.00 cents per share paid on 12 January 2010 (2009: 138.00)	$1.0 million
102.00 cents per share paid on 12 April 2010 (2009: 98.00)	$1.1 million
Dividend announced:	
A dividend of 110.00¢ per security for the period 10 April 2010 to 9 July 2010 (inclusive), announced on 12 April 2010, payable 12 July 2010	$1.1 million
All dividends were fully franked	

Reset Preference Share Dividends Paid or Recommended

310.53 cents per share paid on 2 November 2009 (2008: 309.68)	$2.8 million
305.47 cents per share paid on 3 May 2010 (2009: 305.47)	$2.7 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 $242.6 million (2009 - $83.8 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 August 2009, as part of the acquisition of Tasmanian Banking Services, the Bank issued 781,910 shares at an issue price of $6.39, increasing share capital by $5.0 million.

In August 2009, 26,618,172 shares were allotted at an issue price of $6.75 to those shareholders participating in the entitlement offer, increasing share capital by $179.7 million.

In September 2009, 1,607,958 shares were allotted at an issue price of $7.95 to those shareholders participating in the Dividend Reinvestment Plan, increasing share capital by $12.8 million.

In September 2009, 17,854,868 shares were allotted at an issue price of $6.75 to ordinary shareholders under a Share Placement Plan, increasing ordinary share capital by $120.5 million.

On 1 October 2010, the Bank's 60% holding of Rural Bank Limited became a controlling interest, following amendments to the shareholders' agreement governing the joint venture.

In December 2009, 1,540,360 shares were allotted at an issue price of $6.56 to those employees participating in the Executive Performance Share Plan, increasing ordinary share capital by $10.1 million.

In March 2010, 340,039 shares were allotted at an issue price of $10.03 to employees of Bendigo and Adelaide Bank Limited under the Share Grant Scheme, increasing ordinary share capital by $3.4 million.

In March 2010, 3,818,849 shares were allotted at an issue price of $9.59 to those shareholders participating in the Dividend Reinvestment Plan, increasing share capital by $36.6 million.

During the financial year, share issue costs of $10.3 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 9 August 2010 the Bank declared a final dividend for ordinary shares, on 15 June 2010 announced a dividend for preference shares and on 12 April 2010 announced a dividend for Step up preference shares, details of which are shown previously.

On 9 August 2010 the Bank announced its intention, through the signing of a heads of agreement, to purchase 24 per cent of Linear Asset Management. This business will provide significant scope for growth in the Bank's wealth deposit and financing businesses.

On 1 September 2010 the Bank advised of its intention to buy-back on-market a number of shares equal to the number of shares issued under the dividend reinvestment plan. The number of shares to be bought back is expected to be 3.4 million with a maximum of 7.4 million. The buy-back will commence on 17 September 2010 and be completed by 31 December 2010, subject to market conditions.

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.

SUMMARY OF REMUNERATION OUTCOMES 2010

Bendigo and Adelaide Bank is committed to being transparent in reporting its remuneration arrangements. This summary gives shareholders a concise and easy to understand overview of the group's remuneration outcomes for the 2010 financial year and includes information on the actual value of remuneration received by senior executives and some of our remuneration initiatives during the year. The detailed statutory remuneration disclosures are contained in the Remuneration Report.

	2009 - 2010 Outcomes
Voluntary unpaid leave initiative	An unpaid leave scheme, which involved employees voluntarily taking 10 days of unpaid annual leave, was introduced during the year. This initiative helped the business manage its operating costs while ensuring the business preserved its valuable employee base and ability to service future growth as conditions improved. The initiative was well supported, with almost 70 percent of employees, including all senior executives, participating in the program. Recognising this commitment, employees who participated in the program would recoup a percentage of the amount contributed (to a maximum of 10 days) if the Company's earnings performance exceeded a pre-agreed level. This level was exceeded and participants were reimbursed for 50 percent of their contributed income. The cost of the recoupment was included in the 2010 result.
Non executive director fee freeze	Non-executive director fees were frozen for the year. In addition, the non-executive directors contributed four percent of their annual fee payment to fund part of the board scholarship for disadvantaged students.
Senior executive salary freeze	A pay freeze also applied to senior executives for the year (refer also to executive committee changes below). As disclosed in the Remuneration Report, the pay freeze has been lifted for the 2011 financial year in light of improved trading performance and outlook for the Company.
Executive Committee Changes	The Managing Director, Mike Hirst announced his new senior executive team on 13 July 2010. Further appointments were also made during the year. The pay freeze also applied to the new executive appointments and to executives whose roles changed to new roles with greater responsibilities. This included the new Managing Director. At his request, his fixed and short term remuneration arrangements were the same as applied in his previous role as chief executive retail bank.
Short term incentive	The Company's overall performance for the year achieved most of the targets set by the board. In line with this improved performance and taking into account the pool of funds approved by the board for the payment of staff bonuses and individual executive performance, senior executives received their annual cash bonus allocations as set out in the below table.
Long term incentive	**Executive Incentive Plan (discontinued)** The executive incentive plan set up in 2006, under which executives were issued performance shares and options with a three year performance period, has been discontinued. Grants were made in the 2007, 2008 and 2009 financial years. None of the 2007 grant vested but some of the 2008 performance rights granted to executives vested as set out in the below table. None of the 2008 options vested and the performance period for the 2009 grant is still to be completed. **Salary Sacrifice, Deferred Share & Performance Share Plan** The structure for equity grants to executives for 2010 has been changed to performance shares: • Shareholders approved an issue of five equal annual parcels of performance shares to the managing director at the 2009 Annual General Meeting (AGM), with a five year performance period. No further grants are proposed during the performance period. • The Board also approved an issue of three equal annual parcels of performance shares to other executives following the 2009 AGM, with a three year performance period. • The shares are subject to a further two year trading restriction. • Half of each annual parcel of performance shares is subject to earnings per share and total shareholder return TSR tests. The TSR test for the 2010 parcel was partially met and 65 percent of those performance shares vested. The remaining allocation will be re-tested as part of the 2011 allocation. • The other half of each annual parcel of performance shares is subject to the executive's continued employment with the Company. The first employment date under the grant was 30 June 2010, and accordingly, the 2010 parcel vested for executives employed by the Company on 30 June 2010.
New remuneration policy	A working group was set up to conduct a comprehensive review of the Company's remuneration strategy and arrangements taking into account new APRA requirements and shareholder response to the 2009 Remuneration Report. The working group was chaired by the chairman of the Governance & HR committee and the development of the new policy was overseen by the Governance and HR committee who recommended the final policy to the board. It was adopted by the board in May 2010. The policy sets out clear links between executive remuneration and the Company's performance and the level of risk associated with that performance. Under the policy, the Board has an absolute discretion to adjust short and long term incentives downwards, to zero if appropriate, if such adjustments are considered necessary by the board. Key features of the policy are set out in the statutory Remuneration Report and the policy is available from the Company website www.bendigoadelaide.com.au.

Governance of Remuneration	The responsibilities of the Governance and HR committee include remuneration. The membership of the committee was reviewed during the year and the following changes were made: • The chair of the Risk committee, Mr Tony Robinson has been appointed as chair of the Governance and HR committee. • Two directors have joined the committee: Ms Deb Radford and Mr Jim Hazel. The committee now comprises Mr Tony Robinson, Ms Deb Radford, Mr Jim Hazel and Mr Robert Johanson. The new structure assists in maintaining and enhancing the links between committees in the consideration of remuneration matters, including remuneration risk.

Actual remuneration received by Senior Executives

The table below sets out the actual remuneration received by Senior Executives in FY2010. The values disclosed in the table below are different to the tables set out later in the statutory Remuneration Report. This is because, in relation to base pay, the statutory Remuneration Report amounts include an additional amount representing a notional interest benefit, calculated on the average balance of interest-free loans provided under the employee share ownership plan calculated at the Company's average cost of funds. The amounts in the Remuneration Report also include movements in annual leave accruals.

The disclosure in the table below under the column "Shares" represents the actual value of shares received by Senior Executives in FY2010 for long term incentive (LTI) grants that have vested. The value disclosed is the market value of the shares at the date of testing or vesting as explained in the footnote. The amounts disclosed under the Share Based Payments columns in the Remuneration Report represent the accounting values for current and previous year LTI grants which by law must be disclosed in the Remuneration Report and include LTI that has not and may never vest if performance or service conditions for vesting are not met. There were no termination benefits for the below senior executives.

Executive [1] (current title)	Remuneration received: Base Pay [2] (Fixed annual remuneration)	Cash Bonus (Short term incentive)	Shares [3] (Long term incentive)	Total	Remuneration forfeited: % of cash bonus not awarded [4]	Value of LTI that lapsed [5]
Key management personnel – current members of executive committee						
Mike Hirst (Managing Director)	$782,518	$450,000	$1,028,725	**$2,261,243**	18%	$57,734
Marnie Baker (Executive: Banking and Wealth)	$396,663	$100,000	$205,735	**$702,398**	55%	$39,501
Dennis Bice [6] (Executive: Retail Banking)	$352,455	$50,000	$133,727	**$536,182**	50%	-
Richard Fennell (Executive: Finance and Treasury (CFO))	$374,769	$150,000	$191,695	**$716,464**	14%	$80,516
Russell Jenkins (Executive: Customer and Community)	$445,935	$80,000	$205,735	**$731,670**	67%	$44,057
Tim Piper (Executive: Risk)	$361,920	$90,000	$145,397	**$597,317**	56%	$80,516
Stella Thredgold [6] (Executive: Corporate Resources)	$165,434	$34,000	-	**$199,434**	0%	-
Andrew Watts [6] (Executive: Change)	$401,538	$40,000	-	**$441,538**	79%	$33,423

[1] **Key management personnel:** Details of the remuneration paid to former members of the executive committee are provided in the Remuneration Report.

[2] **Base pay**: This is the total amount of cash salary, non-monetary benefits, company superannuation contributions and annual leave and long-service leave paid in the financial year.

[3] **Shares**: Value is derived from the LTI if the securities vest. For the purposes of this table, the value is based on the Company's closing share price on the day the securities were tested, being 30 June 2010. The vesting date of the shares is anticipated to be in September 2010.

[4] **% of cash bonus not awarded**: This is the percentage of the bonus for the reporting year that the executive did not receive, due to performance conditions not being satisfied. It does not carry over into future years.

[5] **Value of lapsed LTI**: This is the value of performance rights for the reporting year that have lapsed and are not subject to retesting. The value is calculated by using the closing share price of the Company's shares at the date of testing, being 30 June 2010. For the purpose of this table the value of options that lapsed for the reporting year, and are not subject to re-testing, have not been included as the exercise price ($14.66) exceeded the market value of the Company's shares at testing date. The fair value of options that lapsed are disclosed at table 15 of the Remuneration Report.

[6] **Key management personnel (KMP) for part of year:** Three of the above executives were not KMP's for the full financial year. Mr Dennis Bice commenced as a KMP on 6 August 2009, Ms Stella Thredgold commenced as a KMP on 29 April 2010 and Mr Andrew Watts ceased as a KMP on 13 July 2009 and recommenced as a KMP on 24 December 2009. For the purposes of this table the remuneration amounts have not been adjusted for the proportion of the year that they were not KMP's.

REMUNERATION REPORT (AUDITED) FY2010

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 2010. The information provided in this Remuneration Report has been audited as required by section 308(3C) of the Corporations Act.

This report forms part of the Directors' Report and describes the remuneration arrangements established by the Company for our Non-Executive Directors and Senior Executives (including the Managing Director).

Contents

1. Remuneration Overview

Table 1 - Non-Executive Director remuneration

NON-EXECUTIVE DIRECTORS			
Robert Johanson (Chairman)	Kevin Abrahamson	Jenny Dawson	Jim Hazel [1]
David Matthews[1]	Terry O'Dwyer	Kevin Osborn [2]	Deb Radford
Kevin Roache [3]	Tony Robinson		

[1] *Appointed on 1 March 2010*
[2] *Resigned on 3 December 2009*
[3] *Retired on 26 October 2009*

ISSUE	SUMMARY	DISCUSSION IN REPORT
Base fee	Non-Executive Directors receive a fixed annual fee plus superannuation contributions. The chairman receives twice the base fee in recognition of the additional time commitment. The base fee is reviewed annually with reference to survey data and peer analysis and taking into account changes to non-executive responsibilities and workloads. There was no increase in the base fee for the 2010 financial year and the fee was previously increased by the Board on 1 July 2008. Non-Executive Directors do not receive additional fees for committee memberships. The Board may determine additional fees for subsidiary and joint venture appointments. Directors are also reimbursed for all reasonable travel, accommodation and other expenses incurred in relation to their role.	Pages 70 & 71
Acquisition of shares	Non-Executive Directors could elect to enter into a salary-sacrifice arrangement to acquire shares under the Non-Executive Director Fee Sacrifice Plan approved by shareholders at the 2008 Annual General Meeting. This plan has been suspended following changes to the taxation rules that apply to employee share scheme benefits.	Pages 70 & 71
Remuneration received	The base fee for the year was \$125,000 (\$136,250 including 9% superannuation). From 1 July 2010 the annual base fee was increased by 3.5% to \$129,375 (\$141,020 including 9% superannuation). The Directors agreed to donate 4% of their annual fee payment to fund the Board Scholarship Program for the 2010 financial year. The board also decided the following additional payments for the year: • Sandhurst Trustees Limited and Adelaide Managed Funds Limited. Payment of \$75,519 to J Dawson as chair of these subsidiary companies (AMF 1 July 2009 to 8 August 2009 and STL from 18 September 2009 to 30 June 2010) • Sunstate Lenders Mortgage Insurance Pty Ltd: Payment of director fee of \$12,115 to K Abrahamson and T O'Dwyer (paid for part of year until Sunstate ceased trading on 31October 2009). Mr Johanson and Mr Hazel are non-executive directors of Rural Bank Limited and were paid an annual base fee of \$58,000 and \$120,449 respectively as approved by the Rural Bank Board. This fee was paid by Rural Bank Limited. Mr Matthews is a co-chairman of the **Community Bank**® Strategic Advisory Board and received a fee of \$20,000 for this appointment. Further details of Non-Executive Director remuneration for the 2010 financial year are presented at Table 17.	Pages 71 & 72

Table 2 - Senior Executive remuneration

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.	
Current	
M Hirst [1]	Managing Director & Chief Executive Officer (previously Chief Executive Retail Bank)
M Baker [2]	Executive: Banking and Wealth (previously Executive: Corporate Resources)
D Bice [3]	Executive: Retail Banking
R Fennell [4]	Executive: Finance & Treasury (previously Chief General Manager Strategy)
R Jenkins [5]	Executive: Customer and Community (previously Chief General Manager Retail)
T Piper	Executive: Risk
S Thredgold [6]	Executive: Corporate Resources
A Watts [7]	Executive: Organisational Change (previously Chief Information Officer)
J Billington	Executive: Wealth & Third Party Banking (commenced 1 September 2010)
Former	
R Hunt	Managing Director & Chief Executive Officer (ceased as KMP on 3 July 2009)
J McPhee	Executive Director & Chief Executive Banking & Wealth (ceased as KMP on 5 February 2010)
A Baum	Executive: Wealth & Third Party Banking (ceased as KMP on 30 June 2010)
G Gillett	Chief General Manager Brand Development & Positioning (ceased as KMP on 13 July 2009)
D Hughes	Chief Financial Officer (ceased as KMP on 2 November 2009)
C Langford	Chief General Manager People & Corporate Services (ceased as KMP on 13 July 2009)
P Riquier	Chief General Manager Business Partners (ceased as KMP on 13 July 2009)
	[1] *Mr Hirst was appointed as Managing Director on 3 July 2009* [2] *Appointed as Corporate Resources Executive on 13 July 2009 and Banking and Wealth role on 29 April 2010* [3] *Appointed to Retail Banking Executive role on 6 August 2009* [4] *Appointed to Finance & Treasury Executive role on 2 November 2009* [5] *Appointed to Customer and Community Executive role on 13 July 2009* [6] *Appointed to Corporate Resources Executive role on 29 April 2010* [7] *Appointed to Business Change Executive role on 24 December 2009*

ISSUE	SUMMARY	DISCUSSION IN REPORT
Elements	Senior Executive remuneration comprises the following: • Fixed remuneration (including any salary sacrifice arrangements and Company superannuation contributions). • Performance based "at-risk" remuneration comprising short-term cash incentive component and a long-term equity based incentive component. Senior Executive remuneration was frozen for the year.	Pages 54 to 56
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 demonstrated leadership.	Page 56
Short-term incentive	Senior Executive remuneration arrangements include a performance based at-risk cash incentive. Payment of the at-risk cash incentive is at the Board's discretion and is dependent on the following: • The achievement of targeted financial performance by the Company and the establishment of a pool of funds approved by the Board for the payment of bonuses. • The level of performance achieved by the Senior Executive including risk management and compliance. This links the annual financial performance of the Company, the level of risk associated with that performance and the achievement of individual business priorities which enhance the future prospects of the Company with remuneration received by the Senior Executive. Under the new remuneration policy, one third of annual cash incentives will be subject to deferral into shares in the Company that cannot be traded for two years.	Page 57
Long-term incentive	A long term incentive is provided for executives by way of equity grants, subject to performance measures or a service condition. The performance measures link reward with key performance targets that underpin sustainable growth in shareholder value including both share price and returns to shareholders. As the incentive is awarded in shares, the service condition provides a retention incentive that is linked to longer term Company performance and shareholder returns.	Page 58
Service contracts	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 69
Remuneration outcomes	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 as well as the continued investment in its strategy and business objectives that have a medium to longer term maturity profile. This report describes the Company's progress and financial performance for the year (and previous 4 years) and explains how the performance impacted senior executive remuneration outcomes for these years.	Page 57 and 60

2. Board Oversight of Remuneration

Table 3 –Board oversight of remuneration

ISSUE	COMMENTARY
Remuneration committee	The Governance & HR Committee (the "Committee") provides assistance to the Board in relation to the Company's remuneration arrangements. The current members of the Committee are independent non-executive directors: • Tony Robinson (Chairman) • Jim Hazel • Robert Johanson • Deb Radford The committee has responsibility for providing input into the Group's risk framework in relation to remuneration risk, in particular, recommending to the Board the remuneration arrangements for the Senior Executives (including the managing director). Further details of the Committee's responsibilities for remuneration are summarised below and in Table 4 New Remuneration Policy. The Committee charter is also available from the Company's website.
Remuneration policy	The Committee's remuneration responsibilities include conducting regular reviews of, and making recommendations to the Board on, the remuneration policy taking into account the Company's strategy, objectives, risk profile, shareholder interests, regulatory requirements, corporate governance practices and market developments.
Remuneration on individual basis	The Committee is required to form an opinion of those persons whose activities, individually or collectively, may affect the financial soundness of the institution, and for whom a significant portion of total remuneration is based on performance ("Additional Management Personnel") as required under the new remuneration requirements of the Australian Prudential Regulation Authority ("APRA"). The Committee will make an annual recommendation to the Board on the remuneration of the CEO, direct reports of the CEO, Additional Management Personnel, and other persons specified by APRA.
Remuneration in relation to categories of person	The Committee will make an annual recommendation to the Board on the remuneration of categories of persons covered by the remuneration policy, not addressed above, namely: (a) Other Responsible Persons (as defined in APRA's prudential Standard APS 520 Fit and Proper (excluding the auditor and NEDs)). (b) Risk and financial control personnel. This includes recommendations on the following: • Changes in the structure of remuneration arrangements • The basis on which performance based remuneration will be provided, including the pool of funds available for distribution as bonuses.
Risk adjustment	The Committee's responsibilities also include making recommendations to the Board on the exercise of the Board's discretion to adjust performance-based components of remuneration (STI and LTI) to reflect the outcomes of business activities, the risks relating to those activities and the time necessary for the outcomes of the business activities to be reliably measured. This includes adjusting performance-based component of remuneration downwards, to zero if appropriate, where necessary to protect the financial soundness of the Company or to respond to significant, unexpected or unintended consequences that were not foreseen by the Board.
Deferral	The Committee recommends to the Board on the threshold for short term incentive payments that will trigger deferral.
Equity plans	The Committee recommends to the Board equity schemes and monitors tracking of performance against board approved hurdles for Senior Executives.
Superannuation	The Committee recommends to the Board any material changes to superannuation arrangements.
Non-executive director remuneration	The Committee recommends to the Board remuneration policies and remuneration for non-executive directors on the Board and on subsidiary boards.
Independent advice	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. During the year, the Governance & HR Committee engaged PricewaterhouseCoopers to provide advisory services in connection with a comprehensive review of the Company's remuneration arrangements. The terms of the engagement were set out in a formal letter approved by the committee. The engagement included assistance with the development of a new remuneration policy and supporting structures, and attendance at meetings of a working group (that was chaired by the chairman of the Governance & HR Committee) that managed the review process. The terms also required PricewaterhouseCoopers to report on their conclusions and recommendation to the Governance & HR Committee. The Governance & HR Committee considered this report and made a number of recommendations to the Board which were adopted in the form of the new remuneration policy set out in table 4.

3. New Remuneration Policy to apply to Remuneration in FY2011

A working group, reporting to the Governance & HR Committee, was established during the year to conduct a comprehensive review of the Company's remuneration strategy and arrangements taking into account new APRA requirements and shareholder response to the 2009 Remuneration Report. The review culminated in the development of the new remuneration policy for the Company that was adopted by the Board in May 2010 on the recommendation of the Governance & HR Committee. The policy sets clear links between executive remuneration and the Company's performance and the level of risk associated with that performance. This new policy builds on the existing remuneration policy and also provides significantly more detail. The remuneration policy applied by the Board in FY2010 was broadly consistent with the new policy other than new arrangements that will apply to short term incentive components. A copy of the new policy is available from the Company's website.

Table 4 – Key features of new remuneration policy

Issue	Commentary
Philosophy	The following philosophy applies to the remuneration framework at both an organisational and divisional level: • Remuneration should facilitate the delivery of superior long term results for the business and shareholders and promote sound risk management principles. • Remuneration should support the corporate values and desired culture. • Remuneration should support the attraction, retention, motivation and alignment of the talent we need to achieve our business goals. • Remuneration should reinforce leadership, accountability, teamwork and innovation. • Remuneration should be aligned to the contribution and performance of the businesses, teams and individuals.
Fixed remuneration	Base remuneration is designed to align to the value the senior executive provides to the Group including the skills and competencies needed to generate targeted results, their sustained contribution to the team and Group and the value of the role and contribution of the individual in the context of the external market. Senior executive base remuneration is reviewed annually.
Variable: short term incentive ("STI")	STI is discretionary performance-based remuneration designed to drive and reward medium term results, reflecting the level and time horizon of risk. This includes financial and non-financial results and metrics at an organisational, divisional and individual (and team) level. Participation in STI is recommended by the Governance and HR Committee to the Board for approval, and subject to the approval, is offered to senior executives at the start of each year. Senior executive STI payments are funded through a group bonus pool established for the distribution of STI remuneration. The Board will determine the amount of any bonus pool at the end of each financial year having regard to key financial and risk measures that include cash earnings in excess of targeted minimum shareholder return and return on equity. The bonus pool will also be adjusted to reflect the types and levels of risk involved in achieving the performance, and the overall risk appetite of the Group. The Board, on recommendation from the Governance and HR Committee, has discretion as to whether senior executives will receive an STI payment, and if so, the amount of the incentive payment. Factors taken into account in determining STI payments include the group's financial performance, business unit performance, the individual's contribution to team performance, individual performance and their contribution to meeting risk and compliance requirements at a group, team and individual level.
STI deferral and forfeiture	STI remuneration will be subject to deferral as follows: ▪ One-third of the STI is subject to deferral. ▪ Deferral is for two years from the end of the financial year that the equity is granted. ▪ Deferral is to be into equity. ▪ Dividends on the deferred equity are to be reinvested in equity on the same terms as the deferred equity on which the dividends accrue. Forfeiture is to occur if an employee's employment with the Group ends; if an employee acts fraudulently or dishonestly and in other cases decided by the Board.
Variable: long term incentive ("LTI")	LTI is discretionary equity based remuneration designed to drive and reward long term growth and sustained Company value and align the interests of shareholders and senior executives. Senior executives may be invited, at the Board's discretion, to participate in long term incentive plans.
Risk adjustment: STI & LTI	The Board has discretion, having regard to recommendation of the Governance and HR Committee, to adjust variable remuneration (STI and LTI) to reflect the following. ▪ The outcomes of business activities. ▪ The risks related to the business activities taking account, where relevant, of the cost of the associated capital. ▪ The time necessary for the outcomes of those business activities to be reliably measured. This includes adjusting performance-based components of remuneration downwards, to zero if appropriate, in relation to persons or classes of persons, if such adjustments are necessary to protect the financial soundness of the regulated institution or respond to significant unexpected or unintended consequences that were not foreseen by the Board.
Hedging	A hedging restriction applies to variable remuneration that comprises equity. An employee may not enter into a transaction designed to remove the at-risk element of the equity before it has vested.
Maximum % of variable remuneration	It is expected that the maximum % of variable remuneration (STI and LTI) generally should not exceed: 60% of total remuneration (CEO), 55% of total remuneration (other executives) and 50% of total remuneration (senior managers and others approved by the Board).

4. Senior Executive Remuneration FY2009/2010

Board policy on Senior Executive remuneration

The Board's policy on Senior Executive remuneration for the year was 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 aims of the remuneration policy included:

- motivating executive management to manage and lead the business successfully and to drive strong long-term growth in line with the strategy and business objectives taking into account risk management and compliance;
- driving successful organisational performance by incorporating an annual performance incentive and establish longer-term performance objectives;
- further driving longer-term organisational performance through an equity-based reward structure;
- delivering a balanced solution addressing all elements of total pay; and
- contributing to appropriate attraction and retention strategies for Senior Executives.

The key aspects of the Company's remuneration strategy for Senior Executives are discussed below.

Summary of Senior Executive remuneration strategy

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 Company's performance based on this strategy is set out on page 61.

The Board has 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 design of Senior Executive remuneration including short and long term incentive arrangements. The arrangements reward annual performance whilst providing 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.

The arrangements have been structured to ensure that the proportion of short-term variable remuneration is tailored to minimise risks associated with a short-term performance focus and that an appropriate portion involves equity grants with a sufficiently long performance period aligned with the Company's strategy and shareholder interests.

In line with the strategy and objectives of the Company, the board has decided (summarised at Table 7) to reduce the proportion of short-term focussed variable remuneration and to increase the percentage of longer-term focussed variable remuneration as a proportion of Senior Executive total remuneration in line with the Board's longer term focus and so that Senior Executive risk and reward and shareholder interests are further aligned.

Managing Director's remuneration arrangements

Mike Hirst was appointed as Managing Director and Chief Executive Officer of the Company effective 3 July 2009. The components of the new Managing Director's remuneration package are substantially the same as for other Senior Executives. Accordingly, the sections of this Report explaining these components, including the terms upon which 'at risk' remuneration is awarded under STI and LTI plans, apply to the Managing Director as well as other Senior Executives (except where otherwise indicated). However, in the interests of clarity and transparency the summary below provides a snapshot of the remuneration arrangements in place for the Managing Director, as well as cross references to the other sections of the Report where these arrangements are outlined in further detail.

Having regard to the prevailing market conditions, at the request of Mr Hirst, his 2008/2009 remuneration package remained 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 the 2010/2011 financial year:

- $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.

Shareholder approval was obtained at the 2009 Annual General Meeting for the Managing Director's participation in a long term incentive ("LTI") for the initial five year contract period. The LTI involves 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 were issued under the Employee Salary Sacrifice, Deferred Share and Performance Share Plan. The total number of performance shares granted to the Managing Director and their potential remuneration value is set out in table 13.

Each performance share represents an entitlement to one ordinary fully paid share in the Company and accordingly the maximum number of shares that may be acquired by the Managing Director is equal to the number of performance shares issued, being 762,190. A summary of the grants to the Managing Director are set out in the following table:

Table 5 – Grants made to the managing director in FY2010

	Percentage of Remuneration Value of performance rights	Performance Shares (Number)	Potential Remuneration Value	Performance Period
Tranche 1	Grant A 10% Grant B 10%	76,219 76,219	$500,000 $500,000	1 year (1 July 2009 to 30 June 2010)
Tranche 2	Grant A 10% Grant B 10%	76,219 76,219	$500,000 $500,000	2 years (1 July 2009 to 30 June 2011)
Tranche 3	Grant A 10% Grant B 10%	76,219 76,219	$500,000 $500,000	3 years (1 July 2009 to 30 June 2012)
Tranche 4	Grant A 10% Grant B 10%	76,219 76,219	$500,000 $500,000	4 years (1 July 2009 to 30 June 2013)
Tranche 5	Grant A 10% Grant B 10%	76,219 76,219	$500,000 $500,000	5 years (1 July 2009 to 30 June 2014)

The performance shares were 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 market price was based on the volume weighted average price of the Company's shares traded on the ASX for the 5 days prior to 1 July 2009 (being $6.56). At the end of each financial year during the five year contract period the following will apply to the 20% of shares that may vest that year, subject to Board discretion:

- 10% of the total grant may vest dependent on the managing director's continued service with the Company.
- 10% of the total grant may vest dependent on the satisfaction of performance criteria. The vesting of performance shares for this tranche is subject to a gateway hurdle that there has been an improvement in cash EPS compared to the previous financial year. If this gateway hurdle is not met, these performance shares will not vest that year.
- If the gateway hurdle is met, the performance criteria will be the Company's TSR performance measured against a peer group (with 65% vesting for performance between the 50th and 75th percentile; 100% vesting for performance over 75th percentile) tested from the commencement of the contract to the end of the relevant financial year for each tranche.
- Any unvested shares will be treated as forming part of the following tranche and will be tested at the end of the following tranche's performance period.

The board has decided that all shares that vest under the LTI will be subject to a further two year dealing restriction.
In setting the 5 year performance period (as well as the additional two year dealing restriction), the board had regard to the term of the Managing Director's contract and, in particular, the importance of rewarding the Managing Director for also taking a longer-term perspective on the Company's progress and performance.

In setting the remuneration value of the entitlement, the Board, having regard to the relatively moderate market setting of Senior Executive remuneration (in particular for the Managing Director) included a component that was subject to continued service with the Company. This arrangement was undertaken with the intention of providing the Managing Director with a further ownership stake in Company aligned with shareholder interests. This component in effect represents a deferred part of the Managing Director's fixed reward linked to the long term performance of Company and interests of shareholders. The LTI will be reviewed at the end of the initial five year contract period.

The percentage proportions of fixed, STI and LTI components which comprise the Managing Director's total remuneration are set out in table 7 and the key contractual terms of his service contract are summarised in table 16. The managing director's employment terms do not include sign-on or retention benefits.

Former Senior Executives: Termination Benefits

The following table sets out the termination benefit outcomes of Senior Executives for the year:

Table 6 - termination benefit outcomes of Senior Executives for FY2010

Senior Manager	Ceased as KMP	Termination Benefit Received	Vesting of LTI securities (1)
Rob Hunt	03/07/2009	Nil	Nil (2)
Anthony Baum	30/06/2010	Nil	Nil
Jamie McPhee	05/02/2010	Negotiated payment having regard to the circumstances at the time of resignation and contribution to Adelaide Bank merger.	Nil
David Hughes	02/11/2009	Nil	Pro-rata amount of unvested performance rights having regard to the level of performance against the performance measures
Craig Langford	13/07/2009	Contractual entitlement to equivalent of twelve months of annual fixed remuneration	Pro-rata amount of unvested performance rights having regard to the level of performance against the performance measures

(1) Represented by unvested performance rights, options or performance shares. Vesting is at the discretion of the Board in accordance with the relevant plan rules, Board policy and the circumstances in which employment ended.

(2) Mr Hunt continues to be employed by the Company as strategic advisor - community engagement. Details of Mr Hunt's annual at-risk component and incentive component (linked to merger and integration objectives) for the 2009 financial year were disclosed in the 2009 Remuneration report. These incentives were paid to Mr Hunt shortly after he retired as Managing Director. Mr Hunt's unvested performance rights and options will continue to be tested in the ordinary course of the terms of these securities. Mr Hunt's share grants under the Employee Share Ownership Plan will also continue in the ordinary course of the terms of the plan while Mr Hunt remains an employee of the Company. Mr Hunt's continuing employment arrangements do not include incentive or bonus arrangements.

Other Policies

Hedging Restriction (LTI)

The rules for the Company's long term incentive arrangements 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. A similar restriction also applies to rural Bank's long term incentive arrangement.

The Company treats compliance with the Staff Trading Policy as a serious issue, and takes appropriate measures to ensure the policy is adhered to. Any employee found to have breached this policy will be subject to appropriate disciplinary action, which could include forfeiture of the relevant securities and extend to termination of employment. The most appropriate disciplinary action in a particular case would be determined by the board taking into account the circumstances of the breach.

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.

Components of Remuneration: FY2009/2010

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 that is subject to annual Company performance, including Board discretion to establish a bonus pool from which annual incentives can be paid, and the level of individual performance.
- Long-Term Incentive Component - As explained at Table 10, a new arrangement was 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 to achieve a balance between fixed remuneration and incentive components that take into account market relativities and align 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 growth in shareholder value.

The relative proportions of Senior Executive remuneration that were ''at-risk'' (including the relative proportion that is performance-based) are set out in Table 7 below. The table also sets out the relative proportions for the 2011 year.

Table 7 - Proportion of fixed and at-risk remuneration

		% of Total Aggregate Remuneration (annualised) *		
		Fixed Remuneration	**'At risk' – performance-based**	
		FAR	**STI****	**LTI****
Managing Director/CEO	2010	29%	20%	51%
	2011	49%	12%	39%
Other Senior Executives	2010	Between 41% and 83%	Between 15% and 27%	Between 0% and 36%
	2011	Between 48% and 62%	Between 15% and 21%	Between 23% and 31%

* Aggregate Remuneration is comprised of fixed annual reward (including base salary, superannuation and allowances), STI at-risk available for the F'10 year and the remuneration value of LTI grants for the F'10 year.

** These amounts are subject to 'target' performance levels being achieved, and in the case of the LTI, this is also subject to continued service with the Company.

(a) Fixed remuneration FY2010

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 Managing Director's fixed remuneration arrangements, 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.

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

A pay freeze applied to Senior Executives for the 2010 financial year in response to the market environment and challenges facing the Company. The pay freeze also applied to the new executive appointments made during the year and to executives whose roles changed to new roles with greater responsibilities during the year. This included the new Managing Director. At his request, his fixed and short term remuneration arrangements remained at the same level that applied in his previous role as chief executive retail bank.

The pay freeze has been lifted for the 2011 financial year in light of improved trading performance and outlook for the company. The Board has approved, on recommendation from the Governance & HR Committee, changes to the remuneration arrangements of Senior Executives including increases in fixed remuneration taking into account changes in roles and responsibilities that occurred during the year. These increases were made with the objective of keeping senior executive salaries in line with the mid-range of market based remuneration benchmarks.

(b) Performance-based 'at risk' remuneration FY2010

Table 8 – Summary of Short Term Incentive (STI)

What is the STI?	The Senior Executive remuneration packages include an annual cash incentive component which rewards the achievement of annual financial goals, taking into account risk management and compliance, and Senior Executive contributions to longer term growth and performance. The maximum amount of the Senior Executive cash incentive is set by the Board taking into account market data and the Senior Executive's particular role and responsibilities.
Who participates in the STI?	All Senior Executives and other senior management as decided by the Board.
Why does the Board consider the STI an appropriate incentive?	The objective of the incentive is to link a reasonable proportion of senior executive remuneration with the annual financial performance of the company and the achievement of individual business priorities which enhance the future prospects of the Company. 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 business and financial targets and at a cost that is reasonable to the Company in its circumstances.
Are performance conditions imposed?	The STI is based on target performance conditions designed to drive short and medium term results and at a level that reduces incentive for potentially inappropriate behaviour and risk taking. Payment of the STI for Senior Executives and other participants is at the discretion of the Board and is based, in the first instance, on the achievement of the Company's target annual financial performance and the level of individual executive performance.
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 2010 was based upon a mix of quantitative and qualitative performance measures and was set at a maximum of $548,100. The quantitative element, weighted at 60% for 2010 year, focused on the Group achieving its targeted cash EPS performance and the qualitative element, weighted at 40% for the 2010 year, 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 and community engagement objectives; and • Other internal and organisational priorities. ***Other Senior Executives*** The amount of the annual incentive component paid to other Senior Executives is primarily contingent upon the Company achieving its targeted cash EPS performance set by the Board and the establishment of a pool of funds approved by the Board for the payment of staff bonuses. 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 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.
When and how are the performance conditions measured and who assesses the performance?	The performance conditions are measured following Board approval of the Company's year-end profit result announcement. The year-end profit result includes, subject to the achievement of targeted profit performance and consideration of risk management and compliance, a Board approved group bonus pool established for the payment of STI remuneration. The achievement of the quantitative cash EPS performance condition for Senior Executives is measured on the basis of the Company's reported cash EPS ratio. The non-executive directors conducted the assessment of the Managing Director's performance, taking into account the quantitative and qualitative measures set by the Board, at which time the Board determined the amount of the incentive payment based upon the achievement of the agreed performance measures. The Managing Director assessed the performance of other senior executives and, taking into account the group bonus pool available for the payment of STI awards and bonuses to group employees, proposed the annual STI payments for other Senior Executives for consideration by the Governance & HR Committee and decision by the Board.
How well were the performance conditions met in the 2010 financial year?	The Group recorded an after-tax profit of $242.6 million, an increase of 190% on the previous financial year, and a cash earnings result of $291.0 million representing a 60% increase on the previous financial year. The Company's overall performance for the year achieved most of the targets set by the Board. Information on the STI payments made, including the percentages of STI paid and percentages forfeited for the Senior Executives are presented in Table 12.
What deferral arrangements apply?	There was no deferral arrangement in relation to STI payments for the 2010 financial year. Under the new remuneration policy, one third of any future STI remuneration will be subject to deferral into equity for two years from the end of the financial year in respect of which the equity is granted.

Long Term Incentive (LTI) FY2010

Table 9 - Summary of LTI arrangements

The Board considers it important that Senior Executives have ongoing share ownership in the Company. The Company has established the following long term incentive arrangements:

	Salary Sacrifice, Deferred Share and Performance Share Plan	Executive Incentive Plan
Established	2008	2006
Status	Current - First grant made in December 2009	Discontinued - Last grant made in November 2008
Participants	Senior Executives (including the current Managing Director) and other senior management approved by the Board.	Senior Executives (including the former Managing Director) and other senior management approved by the Board.
Nature of Grants	Grants of performance shares subject to performance and service conditions set by the Board. If the performance or service conditions are not satisfied during the performance period, the Performance Shares lapse and the Senior Executives derive no value from the grants.	Grants of Options and Performance Rights subject to performance conditions set by the Board. If the performance conditions are not satisfied during the performance period, the Options and Rights lapse and the Senior Executives derive no value from the grants.
Description	Refer Table 8	Refer below Table 8

The Company has also established a loan-based limited recourse Employee Share Ownership Plan ("ESOP"). The ESOP was open to general staff and senior executives (including the Managing Director) and was used by the Company as the long-term incentive arrangement prior to introducing the Executive Incentive Plan. Information on the Employee Share Ownership Plan, including share grants and loan details are disclosed at Notes 38 and 40 of the Financial Statements.

Grants to Senior Executives

Shareholders at the 2006 annual general meeting approved the grant of instruments under the discontinued Executive Incentive Plan in three tranches to the former Managing Director. The first grant, Tranches 1 and 2, was made to the former Managing Director shortly after the 2006 annual general meeting. Tranche 3 was granted to the former Managing Director in July 2007. There were no further grants to the former Managing Director.

The first offer to other Senior Executives to participate in that 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 (including the current Managing Director). 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 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 for the Executive Incentive Plan. A summary of the differences was presented in the 2008 remuneration report.

Shareholders at the 2009 annual general meeting approved a grant of Performance Shares to the current Managing Director under the current Plan as explained earlier in this report. Shortly after this approval, the Board approved a grant of performance shares to other Senior Executives on terms consistent with the terms of the Managing Director's grant, but applying a 3 year performance period.

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

Table 10 - *Key features of current plan: Salary Sacrifice, Deferred Share and Performance Share Plan ("Plan")*

What is the purpose of the LTI?	Grants of Performance Shares under the plan are designed to link Senior Executive reward with key performance measures that underpin sustainable longer-term growth in shareholder value including both share price and returns to shareholders.
Who participates in the LTI?	The Managing Director and other Senior Executives as decided by the Board.
What proportion of total remuneration does the LTI represent?	In the case of the Managing Director, the grant under the LTI has been structured to equate to 51% of his total annual remuneration. In the case of other Senior Executives, the grants under the LTI are structured to equate to between 0% and 36% of their total annual remuneration.
How is reward delivered under the LTI?	The LTI involves an entitlement to Performance Shares in five equal annual tranches for the Managing Director and three equal annual tranches for other Senior Executives. Grant A - 50% of each annual tranche is subject to an EPS gateway hurdle of an increment in the cash EPS performance of the Company for the performance period. If that hurdle is met, the grant is then subject to a TSR performance hurdle. Grant B - The other 50% of each annual tranche is subject to continuing service with the Company. Each Performance Share 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 Performance Shares issued (subject to the achievement of performance hurdles over the relevant performance period and continuing service with the Company).

<table>
<tr><td>Do participants pay for the Performance Shares?</td><td>Performance Shares have been granted at no cost to the Senior Executives and no exercise price applies.</td></tr>
<tr><td>What rights are attached to the Performance Shares?</td><td>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 of their Performance Shares. The grants are subject to a dealing restriction and 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. In addition, Senior Executives may not enter into any transaction designed to remove the “at-risk” element of an instrument before it vests (Refer to above section “Other Policies” and subheading “Hedging restrictions”).</td></tr>
<tr><td>What are the hurdles and performance conditions?</td><td>The vesting of the Performance Shares is subject to a gateway cash EPS hurdle, of an increment in the cash EPS performance of the Company for the performance period. The performance condition for Performance Shares granted under the plan is based on the Company’s total shareholder return (“TSR”) measured over 5 years in the case of the Managing Director and 3 years in the case of other Senior Executives.</td></tr>
<tr><td>Why were the performance conditions and periods chosen?</td><td>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. The gateway cash EPS hurdle ensures that a minimum level of improvement in the Company’s performance and capital efficiency is achieved before any Performance Shares can vest.

The 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 Managing Director, in setting the 5 year performance period (and 2 year dealing restriction) the Board had regard to the term of the Managing Director’s contract and, in particular, the importance of rewarding the Managing Director for also taking a longer-term perspective on the Company’s progress and performance. The Board also had regard to the retention of senior executives.</td></tr>
<tr><td>How is EPS measured?</td><td>Cash basis EPS will be calculated as the reportable earnings approved by the Board. For the purpose of the grants, the EPS gateway involves determining whether there has been an improvement in the cash basis EPS from the previous financial year.</td></tr>
<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 Managing Director and 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 100 companies (excluding the Company, property trusts and resources).</td></tr>
<tr><td>What are the Plan’s vesting terms – Performance Shares?</td><td>Performance Shares granted under the Plan will vest in accordance with the following table provided the EPS gateway condition has been met.
<table>
<tr><td>Company’s TSR ranking against TSR of Peer Group</td><td>Percentage of Performance Shares that vest</td></tr>
<tr><td>TSR below 50th percentile</td><td>Nil</td></tr>
<tr><td>TSR between 50th percentile and 75th percentile</td><td>65%</td></tr>
<tr><td>TSR 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 Performance Shares granted under the Plan are not satisfied at the end of the relevant tranche’s performance period, the Performance Shares that do not vest will be carried forward and retested as described below.

Performance Shares that do not vest will be treated as forming part of the following tranche and will be tested together with other Performance Shares at the end of the following tranche’s performance period. The Board believes that retesting in these circumstances is appropriate because it ensures that Senior Executives are not disadvantaged by short-term 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 Performance Shares have been met, the Performance Shares 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 Performance Shares 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 Performance Shares will lapse.</td></tr>
</table>

What happens in the event of a change in control?	If there is a takeover or change of control of the Company, the Board may, in its discretion decide that unvested Performance Shares vest, having regard to the Company's pro rata performance against the relevant performance conditions.
What about Performance Shares that were tested in FY2010?	Tranche 1 of the 2010 Performance Share grant was tested in August 2010. The TSR test that applies to Grant A was partially met and 65% of those performance shares vested. The Performance Shares that did not vest will be carried forward and retested as explained above. The Performance Shares issued to Senior Executives vested for continuing executives as the service condition was satisfied but lapsed for each Senior Executive who ceased employment with the Company. Details of vested securities are presented at Tables 12 and 13.

Discontinued plan - Executive Incentive Plan

The terms of the discontinued plan and grants under it were similar to those described above for the current Plan, and the rationale for choosing the performance conditions was the same. The differences are set out below. The instruments are Options and Performance Rights, each Option or Performance Right representing one share. The proportion of remuneration represented by the LTI was as follows:

- Former Managing Director: between 23% and 27% of total remuneration
- Senior Executives: between 23% and 12% of total remuneration

Options

The performance condition is TSR. It is measured over a 3 year performance period, and is measured in the same way as for Performance Shares under the current Plan, except the comparator group consists of ASX 200 companies (excluding property trusts and resources). Options granted to date under the Plan will vest in accordance with the following table.

Company's TSR ranking against TSR of Peer Group	Percentage of Options that vest
TSR below 50th percentile	Nil
TSR at the 50th percentile	50%
TSR between 51st and 74th percentile	An additional 2% of Options will vest for every percentage increase.
TSR at or above 75th percentile	100%

Options will be retested after a further 6 months from the end of the performance period and, if the conditions are still not satisfied, the Options may be retested one final time after another 6 months. To the extent they do not meet the performance conditions at the last retest, they lapse after the retest.

Performance Rights

The performance condition is cash basis EPS. It is measured over a 3 year performance period, and is measured in the same way as for Performance Shares under the current Plan. For Performance Rights granted in 2007 and 2008 the Board set a three year 10% EPS performance hurdle for Performance Right grants. The performance hurdle was consistent with the Board's view on the longer term sustainable EPS performance of the sector at the time of the grants. The Board 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 financial crisis and economic outlooks.

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.

Company's compound growth in EPS	Percentage of Performance Rights that vest
EPS growth less than 5% (10% for previous grants)	Nil
EPS growth at or above 5% (10% for previous grants)	100%

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.

Performance Rights will be retested only once, 12 months after the end of the performance period, and to the extent they do not meet the performance conditions, lapse after the retest.

Outcomes

The FY2007 offer was tested in August 2009 and was retested in August 2010. The unvested rights and options lapsed. The FY2008 offer was tested in August 2010 and none vested. They will be retested in FY2011.

The replacement offer made to former executives of Adelaide Bank in FY2008 (Tranche 1 having a 2 year performance period) was tested in August 2009 and retested in August 2010 along with Tranche 2 of the same grant. Some of the Tranche 1 grant vested and none of Tranche 2 vested. All outstanding rights lapsed as there is no further retest under the grant.

Details of securities vested under the Plan are presented at Tables 12 and 13. This includes securities vested in the previous and current year to former Adelaide Bank executives. It also includes securities vested in the current year for two departing executives, where the Board exercised its discretion to vest securities pro rata having regard to contribution and length of service.

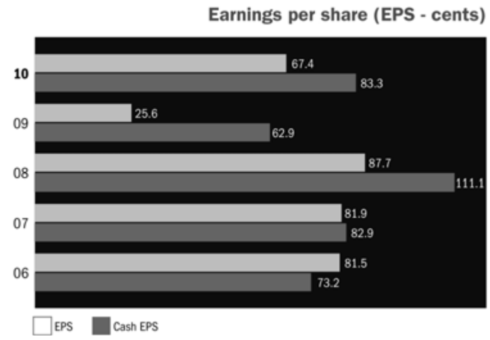
Company Performance

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 9 August 2010 a statutory after-tax profit of $242.6 million. The Company's cash earnings result was $291.0 million, a 60% increase on the previous financial year. The cash earnings result equated to 83.3 cents per share and represents a 32% increase on the previous financial year. Information on the Company's share price performance is presented below. The improved earnings performance and profit result was attributable to an improvement in the operating environment, a strong rebound in net interest margin, a prudent and responsible approach to funding and growth, responsible cost management and continued sound credit quality across the Company's businesses. The Company continues to fund the majority of its business through retail deposits and successfully launched three residential mortgage backed securities transactions raising more than $3.5 billion. The Company's average net interest margin for the year improved from 1.78% for 2009 to 1.80% for 2010.

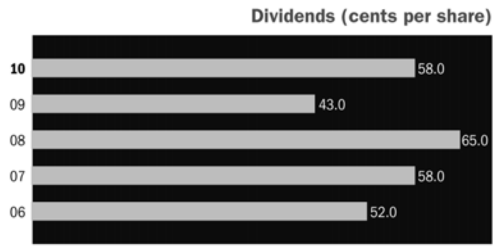
The retail business continued to grow with strong demand evident for the **Community Bank®** model. The Company purposefully adopted a strategy of retaining capacity and capability within the businesses during the global financial crisis. This preserved the Company's ability to service future growth as conditions improved and as evidenced in the last quarter when system growth was matched or exceeded for all business portfolios. The "Bendigo Bank" retail brand continues to produce consistent industry leading measures of customer satisfaction, advocacy, trust, sustainability and corporate responsibility. The performance of the Company's third party mortgages business recovered over the year and the margin lending business, although stifled by investor uncertainty and equity market volatility, again made a substantial profit contribution.

The accompanying graphs set out the Company's key financial performance measures for the financial year ended 30 June 2010, and the four previous financial years, to illustrate the consequences of the Company's performance on shareholder value and returns and the link to Senior Executive remuneration.



The Company delivered on its promise of improved earnings and profit performance while managing the effects of the global financial crisis. The Company's performance for the past year, and four previous years, is summarised as follows:

- A decrease of $1.69 (17%) in the Company's share price from $9.87 at 30 June 2005 to $8.18 at 30 June 2010. The share price increased by $1.23 in 2010 (18%). During the same period the All Ordinaries Index increased by 2.25% (FY2010 - 9.5%) and the S&P/ASX 200 Financials Index increased by 0.6% (FY2010 - 8.8%);
- An increase in cash EPS of 10.1 cents (14%) from 73.2 cents for 2006 to 83.3 cents for 2010. The cash EPS increased by 20.4 cents (32%) for 2010; and
- An increase in dividend of 6 cents per share (11.5%) from 52 cents per share for 2006 to 58 cents per share for 2010. The dividend increased by 15 cents per share (35%) for 2010.

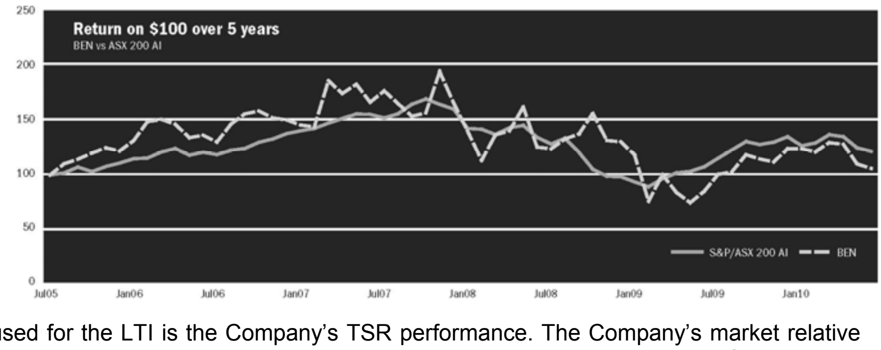


The below graph shows the Bank's TSR performance against the S&P/ASX 200 Accumulation Index over the 5 year period to 30 June 2010. (Source: IRESS)

Further details of the Company's recent performance are set out in the Chairman's and Managing Director's Review on pages 4 and 5 of this Annual Report.

Performance against key short and long term metrics

The charts 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 key performance indicator for Senior Executive STI payments. It is also one of the key performance indicators for LTI grants. With the exception of 2009, the Company has achieved its targeted cash EPS performance for the past five years.



The second key performance indicator used for the LTI is the Company's TSR performance. The Company's market relative TSR performance has underperformed the comparator group and not achieved the targeted percentile ranking for the 2007, 2008 and 2009 performance periods. The percentile ranking was partially achieved for the 2010 performance period.

REMUNERATION PAID *(Details of the remuneration paid to the Senior Executives are set out in Table 11 below)*

All values are in A$ unless otherwise stated.

Table 11 – Senior Executive remuneration paid for FY2010 and FY2009

	Short-term Employee Benefits				Post-employment benefits		Other Long-term employee benefits [6]	Termination benefits		Share-based Payments [7, 8]		Total
	Cash Salary [1]	Bonuses (STI) [2]	Non-Monetary Benefits [3]	Other[4]	Super-annuation benefits [5]	Other		Termination	Other	Performance Rights	Options	
Senior Executives of the Company and the Group												
Current												
M Hirst												
2010	780,118	450,000	1,991	11,117	14,462	-	11,498	-	-	1,310,287	109,837	2,689,310
2009	727,533	-	2,992	16,579	92,822	-	36,844	-	-	140,210	140,612	1,157,592
M Baker												
2010	350,860	100,000	20,287	9,329	19,824	-	5,865	-	-	287,538	47,463	841,166
2009	331,855	-	36,463	14,247	45,473	-	12,099	-	-	68,242	68,519	576,898
D Bice [9]												
2010	294,507	45,192	13,451	4,062	25,753	-	33,247	-	-	141,046	-	557,258
R Fennell												
2010	346,038	150,000	3,374	-	21,319	-	-	-	-	260,128	21,667	802,526
2009	339,312	-	18,059	-	45,606	-	-	-	-	99,973	21,667	524,617
R Jenkins												
2010	432,579	80,000	3,745	9,967	19,073	-	6,286	-	-	293,090	53,013	897,753
2009	371,617	-	20,329	15,474	50,093	-	10,231	-	-	76,191	76,499	620,434
T Piper												
2010	357,478	90,000	3,284	-	20,659	-	43,135	-	-	206,106	21,667	742,329
2009	320,483	-	17,488	-	44,775	-	-	-	-	99,973	21,667	504,386
S Thredgold [9]												
2010	24,224	5,885	1,923	-	2,407	-	641	-	-	-	-	35,080
A Watts [9]												
2010	217,701	22,307	5,552	1,328	11,138	-	3,328	-	-	23,014	23,014	307,382
2009	318,095	-	47,979	3,764	27,017	-	13,628	-	-	58,850	59,084	528,417

	Short-term Employee Benefits				**Post-employment benefits**		**Other Long-term employee benefits[6]**	**Termination benefits**		**Share-based Payments[7, 8]**		**Total**
	Cash Salary[1]	**Bonuses (STI)[2]**	**Non-Monetary Benefits[3]**	**Other[4]**	**Super-annuation benefits[5]**	**Other**		**Termination**	**Other**	**Performance Rights**	**Options**	
Senior Executives of the Company and the Group (Cont…)												
Key management personnel – former members of executive committee												
A Baum												
2010	380,439	-	3,553	-	20,729	-	93,114	-	-	293,212	23,000	814,046
2009	346,724	-	18,950	-	48,305	-	-	-	-	106,123	23,000	543,102
G Gillett[9]												
2010	3,329	-	477	3,715	685	-	70	-	-	1,989	1,989	12,254
2009	326,009	-	102,440	27,217	54,612	-	7,534	-	-	83,032	83,369	684,213
D Hughes[9]												
2010	110,981	-	4,509	-	11,371	-	-	-		-	-	126,861
2009	329,673	-	42,222	-	45,986	-	-	-	-	96,898	21,000	535,779
R Hunt[9]												
2010	5,329	-	178	743	335	-	59	-	-	1,215	1,215	9,076
2009	1,066,688	1,500,000	54,300	223,296	271,800	-	18,732	-	-	214,599	216,054	3,565,469
C Langford[9]												
2010	110,069	-	6,685	8,556	13,248	-	9,203	762,000	-	-	-	909,761
2009	367,329	-	93,340	25,453	60,156	-	8,252	-	-	89,870	90,238	734,638
J McPhee[9]												
2010	477,001	-	40,823	3,659	86,112	-	11,903	300,000	-	-	-	919,498
2009	765,819	-	66,338	11,913	83,840	-	31,622	-	-	375,782	86,667	1,421,981
P Riquier[9]												
2010	9,186	-	981	-	1,030	-	241	-	-	1,466	635	13,538
2009	220,716	-	47,288	-	29,700	-	7,687	-	-	84,589	18,333	408,313
Others included in the 5 most highly remunerated executives in the group												
P Hutchison[10]												
2010	421,337	225,000	17,160	-	18,750	-	-	-	-	225,000	-	907,247

[1] Cash salary amounts include the net movement in the KMP's annual leave accrual for the year. In addition, there was a salary freeze for the 2010 financial year and the reason for the apparent increase in fixed remuneration for the Senior Executives in this year's remuneration report reflects the timing of the annual salary review that took place in September 2008. The 2009 fixed remuneration amounts do not represent a full year of fixed remuneration at the level set at the time of the review. The 2010 fixed remuneration amounts represent a full year at the 2009 setting.

[2] This amount represents STI payments to Senior Executives for 2010, which are expected to be paid in September 2010.

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

[4] "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 40.

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

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

[7] 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, Options and Performance Shares 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 and performance shares vesting. The assumptions underpinning these valuations are set out in Note 38 to the financial statements.

[8] The amortised value of Performance Rights, Options and Performance Shares as a percentage of total remuneration was: M Hirst 53% (2009: 17%), J McPhee 0% (2009: 23%), M Baker 40% (2009: 18%), A Baum 39% (2009: 17%), D Bice 25% (2009: 0%), R Fennell 35% (2009: 18%), G Gillett 43% (2009: 20%), D Hughes 0% (2009: 17%), R Hunt 24% (2009: 12%), R Jenkins 39% (2009: 18%), C Langford 0% (2009: 20%), T Piper 31% (2009: 18%), P Riquier 16% (2009: 17%), S Thredgold 0% (2009: 0%), A Watts 15% (2009: 17%).

[9] These executives were not KMP's for the full financial year. Mr Dennis Bice commenced as a KMP on 6 August 2009, Ms Stella Thredgold commenced as a KMP on 29 April 2010 and Mr Andrew Watts ceased as a KMP on 13 July 2009 and recommenced as a KMP on 24 December 2009. The remuneration amounts disclosed above represent the full financial year's remuneration adjusted for the proportion of the year that they were not KMP's. In addition, Mr Gillett, Mr Hunt and Mr Riquier are continuing employees of the Company. The remuneration details provided in the above table have also been adjusted for the proportion of the year they were not KMP's. The remuneration details for Mr Hughes, Mr Langford and Mr McPhee represent the remuneration paid for the period up to ceasing employment with the Company (including any termination benefits).

[10] Mr Paul Hutchison is the managing Director and Chief Executive Officer of Rural Bank Limited, a controlled entity of the Company from 1 October 2009. The remuneration information for Mr Hutchison represents the pro-rata amount of his remuneration for period that Rural Bank limited was a controlled entity.

The percentages of maximum STI paid and not achieved for FY2010 are detailed in the table below.

Table 12 – 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			
Mike Hirst	$450,000	82%	18%
Marnie Baker	$100,000	45%	55%
Dennis Bice (5)	$50,000	50%	50%
Richard Fennell	$150,000	86%	14%
Russell Jenkins	$80,000	33%	67%
Tim Piper	$90,000	44%	56%
Stella Thredgold (5)	$34,000	100%	0%
Andrew Watts (5)	$40,000	21%	79%
Former			
Anthony Baum	$0.00	0%	100%
Greg Gillett (4)	$0.00	n/a	n/a
David Hughes	$0.00	0%	100%
Rob Hunt (4)	$0.00	n/a	n/a
Craig Langford	$0.00	0%	100%
Jamie McPhee	$0.00	0%	100%
Philip Riquier (4)	$0.00	n/a	n/a
Other			
Paul Hutchison	$300,000	100%	0%

(1) STI constitutes a cash incentive earned during fiscal 2010.

(2) A minimum level of performance must be achieved before any STI is paid as outlined in the STI summary at Table 8. Therefore, the minimum potential value of the STI which was granted in respect of the year was nil. The maximum potential value of grants under the STI is the actual amount of STI paid. There was no deferral of STI components for the 2010 financial year.

(3) The grant date for the STI payments was in September 2010

(4) Mr Hunt, Mr Gillett and Mr Riquier did not participate in the 2010 short-term incentive arrangement.

(5) The amounts disclosed represent the full STI payment. The amounts disclosed in the Remuneration Report have been adjusted for the proportion of the financial year that the Senior Executive was a KMP.

EQUITY INSTRUMENTS GRANTED AS REMUNERATION

As part of its remuneration strategy, the Company granted Performance Shares during the year to the following Senior Executives. There were no grants of performance rights or options under the executive incentive plan during the year.

Table 13 – Performance Shares granted in FY2010

Senior Executive	Instrument	Number of Performance Shares granted (a) (b)	Future years payable (c)	Fair value per Performance Share (d)	Maximum value of grant (e)
Current					
Mike Hirst	Performance Shares (Tranches 1 to 5)	762,190	2010 to 2014	Refer below table	$5,332,283
Marnie Baker	Performance Shares (Tranches 1 to 3)	91,458	2010 to 2012	Refer below table	$679,380
Dennis Bice	Performance Shares (Tranches 1 to 3)	59,448	2010 to 2012	Refer below table	$441,601
Richard Fennell	Performance Shares (Tranches 1 to 3)	80,028	2010 to 2012	Refer below table	$594,474
Russell Jenkins	Performance Shares (Tranches 1 to 3)	91,458	2010 to 2012	Refer below table	$679,380
Tim Piper	Performance Shares (Tranches 1 to 3)	59,448	2010 to 2012	Refer below table	$441,601
Former					
Anthony Baum (f)	Performance Shares (Tranches 1 to 3)	91,458	2010 to 2012	Refer below table	$679,380
Jamie McPhee (f)	Performance Shares (Tranches 1 to 4)	304,872	2010 to 2013	Refer below table	$2,201,557

Valuation	Performance Period	Grant A (TSR Hurdle)	Grant B (Service Condition)
Tranche 1	1.7.09 to 30.6.10	$7.19	$8.56
Tranche 2	1.7.09 to 30.6.11	$6.61	$8.19
Tranche 3	1.7.09 to 30.6.12	$6.19	$7.83
Tranche 4	1.7.09 to 30.6.13	$5.70	$7.50
Tranche 5	1.7.09 to 30.6.14	$5.02	$7.17

(a) The grants made to Senior Executives occurred on 11 December 2009 and constituted 100% of the grants available for the year and were made on the terms summarised at Table 10. As the Performance Shares only vest on satisfaction of performance and service conditions which are to be tested in future financial periods, none of the Senior Executives forfeited Performance Shares during 2010 except as explained at (e) below.

(b) The following current and former senior executives did not participate in the 2010 performance share grant: Mr Hunt, Mr Langford, Mr Hughes, Mr Gillett, Mr Riquier, Ms Thredgold and Mr Watts.

(c) Performance Shares vest subject to performance and continued service over the period 1 July 2009 to 30 June 2014 for the Managing Director and 1 July 2009 to 30 June 2012 for other Senior Executives. Performance shares lapse where the performance or service condition are not satisfied. As the Performance Shares only vest on satisfaction of performance and service conditions which are to be tested in future financial periods, none of the Senior Executive forfeited Performance Shares during the 2010 financial year except as explained at (e) below. The exercise price for the Performance Shares is nil and the expiry dates are 2014 for the Managing Director and 2012 for other Senior Executives.

(d) The fair values were calculated as at the grant dates of 11 December 2009. An explanation of the pricing model used to calculate these values is set out in Note 38 to the financial statements.

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

(f) Mr Baum and Mr McPhee forfeited all of their unvested Performance Shares upon ceasing employment with the Company in accordance with the terms of the grant.

Table 14 sets out details of the movement in the number of Performance Rights and Options held by Senior Executives during the year.

Table 14 – Movement in Performance Rights, Performance Shares and Options in FY2010 (number)

Movements in number						
Senior Executive	**Instrument**	**Balance at 1 July 2009**	**Granted [(a)]**	**Vested [(b)]**	**Forfeited/Lapsed [(c)]**	**Balance at 30 June 2010**
Current						
Mike Hirst	Performance Rights	38,683	-	-	7,058	31,625
	Options	248,862	-	-	44,601	204,261
	Performance Shares	-	762,190	125,761	-	636,429
Marnie Baker	Performance Rights	17,511	-	-	4,829	12,682
	Options	109,414	-	-	30,516	78,898
	Performance Shares	-	91,458	25,151	-	66,307
Dennis Bice	Performance Rights	-	-	-	-	-
	Options	-	-	-	-	-
	Performance Shares	-	59,448	16,348	-	43,100
Richard Fennell	Performance Rights	18,238	-	1,406	9,843	6,989
	Options	47,445	-	-	-	47,445
	Performance Shares	-	80,028	22,008	-	58,020
Russell Jenkins	Performance Rights	19,587	-	-	5,386	14,201
	Options	122,500	-	-	34,038	88,462
	Performance Shares	-	91,458	25,151	-	66,307
Tim Piper	Performance Rights	18,238	-	1,406	9,843	6,989
	Options	47,445	-	-	-	47,445
	Performance Shares	-	59,448	16,348	-	43,100
Stella Thredgold	Performance Rights	-	-	-	-	-
	Options	-	-	-	-	-
	Performance Shares	-	-	-	-	-
Andrew Watts	Performance Rights	15,404	-	-	4,086	11,318
	Options	97,195	-	-	25,822	71,373
	Performance Shares	-	-	-	-	-
Former						
Anthony Baum	Performance Rights	19,360	-	1,493	17,867	-
	Options	50,365	-	-	50,365	-
	Performance Shares	-	91,458	25,151	66,307	-
Greg Gillett	Performance Rights	21,396	-	-	5,944	15,452
	Options	134,017	-	-	37,559	96,458
	Performance Shares	-	-	-	-	-
David Hughes	Performance Rights	17,677	-	11,344	6,333	-
	Options	45,985	-	-	45,985	-
	Performance Shares	-	-	-	-	-
Rob Hunt	Performance Rights	47,914	-	-	25,391	22,523
	Options	402,352	-	-	160,465	241,887
	Performance Shares	-	-	-	-	-
Craig Langford	Performance Rights	23,204	-	14,207	8,997	-
	Options	145,534	-	-	145,534	-
	Performance Shares	-	-	-	-	-
Jamie McPhee	Performance Rights	69,490	-	5,192	64,298	-
	Options	189,781	-	-	189,781	-
	Performance Shares	-	304,872	-	304,872	-
Philip Riquier	Performance Rights	15,432	-	1,190	8,328	5,914
	Options	40,146	-	-	-	40,146
	Performance Shares	-	-	-	-	-

[(a)] The grant values are calculated using the fair value of performance Shares as at the grant date – see table 15.

[(b)] On the vesting (and automatic exercise) of each Performance Right and Performance Share, the holder receives one fully paid ordinary share in the Company.

[(c)] These represent Performance Rights and Options granted in 2006/07 that lapsed at the end of the 2010 financial year as the performance conditions were not satisfied and the unvested Performance Rights and Options that were forfeited upon cessation of employment with the Company.

Table 15 sets out details of changes in the value of Performance Rights and Options[(a)] and Performance Shares held by Senior Executives during the year.

Table 15 – Movement in Performance Rights, Performance Shares and Options in FY2010 (value)

Senior Executive	Instrument	Granted	Vested[(a)]	Exercised	Forfeited/Lapsed[(b)]
Current					
Mike Hirst	Performance Rights	-	-	-	$91,119
	Options	-	-	-	$92,324
	Performance Shares	$5,332,283	$1,028,725	$1,028,725	-
Marnie Baker	Performance Rights	-	-	-	$62,342
	Options	-	-	-	$63,168
	Performance Shares	$679,380	$205,735	$205,735	-
Dennis Bice	Performance Rights	-	-	-	-
	Options	-	-	-	-
	Performance Shares	$441,601	$133,727	$133,727	-
Richard Fennell	Performance Rights	-	$11,670	$11,670	$139,125
	Options	-	-	-	-
	Performance Shares	$594,474	$180,025	$180,025	-
Russell Jenkins	Performance Rights	-	-	-	$69,533
	Options	-	-	-	$70,459
	Performance Shares	$679,380	$205,735	$205,735	-
Stella Thredgold	Performance Rights	-	-	-	-
	Options	-	-	-	-
	Performance Shares	-	-	-	-
Tim Piper	Performance Rights	-	$11,670	$11,670	$139,125
	Options	-	-	-	-
	Performance Shares	$441,601	$133,727	$133,727	-
Andrew Watts	Performance Rights	-	-	-	$52,750
	Options	-	-	-	$53,452
	Performance Shares	-	-	-	-
Former					
Anthony Baum	Performance Rights	-	$12,392	$12,392	$216,672
	Options	-	-	-	$69,000
	Performance Shares	$679,380	$205,735	$205,735	$473,645
Greg Gillett	Performance Rights	-	-	-	$76,737
	Options	-	-	-	$77,747
	Performance Shares	-	-	-	-
David Hughes	Performance Rights	-	$103,230	$103,230	$66,801
	Options	-	-	-	$62,999
	Performance Shares	-	-	-	-
Rob Hunt	Performance Rights	-	-	-	$327,798
	Options	-	-	-	$332,163
	Performance Shares	-	-	-	-
Craig Langford	Performance Rights	-	$118,202	$118,202	$93,785
	Options	-	-	-	$270,714
	Performance Shares	-	-	-	-
Jamie McPhee	Performance Rights	-	$43,094	$43,094	$773,654
	Options	-	-	-	$260,000
	Performance Shares	$2,201,557	-	-	$2,201,557
Philip Riquier	Performance Rights	-	$17,588	$17,588	$117,710
	Options	-	-	-	-
	Performance Shares	-	-	-	-

(a) The value of vested and exercised Performance Shares is based on the Company's closing share price on the date of testing (as there is no exercise price payable in respect to Performance Shares). The value of each Performance Share on the date of testing was $8.18. The shares are scheduled to vest in September 2010.

The value of vested and exercised Performance Rights is based on the Company's closing share price on the date of vesting (as there is no exercise price payable in respect to Performance Rights). The value of each Performance Right on the date of vesting was $8.30 with the exception of Mr Hughes - $9.10 and Mr Langford - $8.32.

(b) 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.

5. Senior Executive 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 16 – 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 [(a)]
What notice must be provided by a Senior Executive to terminate a Service Agreement without cause?	12 months' notice. No notice period required if material change in duties or responsibilities.	Managing Director (Mr Hirst)
	6 months' notice. No notice period required if material change in duties or responsibilities.	All Senior Executives[(c)]
What notice must be provided by the Company to terminate a Service Agreement without cause? [(b)]	12 months' notice or payment in lieu.	All Senior Executives
What payments must be made by the Company for termination by the Company 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
What are notice and payment requirements for termination for cause?	Termination for cause does not require a notice period. Payment of pro-rata gross salary and benefits (including payment of accrued / unused leave entitlements) is required to date of termination.	Senior Executives
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)]

(a) "Senior Executives" does not include Mr Dennis Bice and Ms Stella Thredgold. Mr Bice and Ms Thredgold are employed on the Company's standard employment terms that apply to salaried employees. These terms include a four week notice period.

"Senior Executives" also does not include Mr McPhee, whose employment terms were set out in the 2009 Remuneration report. His terms of employment, at the date he ceased employment with the Company, were the same as summarised above with the exception of a 12 month non-solicitation restriction.

(b) 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 at the row titled "What payments must be made by the Company for termination without cause".

(c) Being the current Senior Executives listed at Table 1 excluding the Managing Director (Mr Hirst).

6. Non-Executive Director Remuneration

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

Table 17 – 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 18 for details)
Remuneration structured to preserve independence and 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 issues of shares to non-executive directors under a fee-sacrifice share plan was obtained at the 2008 Annual General Meeting. This plan was discontinued following changes to taxation rules that apply to employee share scheme benefits.
Reviews of fee arrangements	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 & HR Committee.
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 Governance & HR 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, any significant changes in the nature and operations of the Company including industry developments which impact the responsibilities and risks associated with the role of director. The Board decided that there would be no increase to the annual non-executive director fees for the 2010 financial year. The directors also agreed, for the 2010 financial year, to donate 4% of their annual fee payment to the Board's scholarship program for underprivileged students. The Board has decided that from 1 July 2010 the annual base fee would increase by 3.5% to $129,375 ($141,020 including 9% superannuation).
No retirement benefits	No additional benefits are paid to Non-Executive Directors upon their retirement from office (i.e. in addition to their superannuation entitlements).
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.

Table 18 – Components of remuneration for Non-Executive Directors

Element	Board fees	Other fees/benefits	Post-employment benefits	Equity/NED Share Plan
Details/ Explanation	The base fee per annum was: • $125,000 for Board members from 1 July 2008 (refer also Table 17). • $250,000 for Chair to recognise extra time commitment. The base fee per annum from 1 July 2010 increased by 3.5% to $129,375 ($258,750 for Chair). 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 on behalf 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 was closed at the above date, all entitlements were crystallised and have been paid to the Non-Executive Directors.	The Company obtained shareholder approval at the 2008 AGM for a Non-Executive Director Fee Sacrifice Plan ("Plan") under which Non-Executive Directors may elect to sacrifice part of their fees to acquire shares in the Company. This Plan has been suspended as a result of the Government's changes to the taxation of employee share schemes.
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 19.

Table 19 – Non-Executive Director Remuneration for FY2010 and FY2009

	Short-term benefits		Post-employment benefits		Share-based payments	Total
	Fees [1]	Non-monetary benefits[2]	Superannuation Contributions[3]	Retirement Benefits	Non-Executive Director Share Plan	
Current						
R Johanson (Chairman)						
2010	245,000	-	22,500	-	-	267,500
2009	250,000	-	22,500	-	-	272,500
K Abrahamson [5]						
2010	47,095	85,020	12,340	-	-	144,455
2009	73,577	86,423	14,400	-	-	174,400
J Dawson [5]						
2010	195,519	-	18,047	-	-	213,566
2009	210,000	-	18,900	-	-	228,900
J Hazel [6]						
2010	34,615	-	3,245	-	-	37,860
2009	-	-	-	-	-	-
D Matthews [5 6]						
2010	54,615	-	3,245	-	-	57,860
2009	-	-	-	-	-	-
T O'Dwyer [5]						
2010	132,115	-	12,340	-	-	144,455
2009	160,000	-	14,400	-	-	174,400
D Radford						
2010	120,000	-	11,250	-	-	131,250
2009	125,000	-	11,250	-	-	136,250
A Robinson						
2010	57,500	62,500	11,250	-	-	131,250
2009	68,093	56,907	11,250	-	-	136,250
Former						
K Osborn [4]						
2010	56,192	-	5,192	-	-	61,384
2009	125,000	-	11,250	-	-	136,250
K Roache [7]						
2010	41,539	-	3,894	-	-	45,433
2009	125,000	-	11,250	-	-	136,250

1 Fee amounts exclude the 4% ($5,000) director contribution to the board scholarship program for FY2010.
2 Represents fee sacrifice component of base director fee amount.
3 Company superannuation contributions paid in accordance with the Superannuation Guarantee Legislation.
4 Resigned on 3 December 2009.
5 The fees paid to Mr Abrahamson and Mr O'Dwyer include an additional fee of $12,115 relating to their directorship on Sunstate Lenders Mortgage Insurance Pty Ltd for the period 1 July 2009 to 31 October 2009. The fees paid to Ms Dawson include an additional fee of $75,519 as chairman of (subsidiaries) Adelaide Managed Funds Ltd for the period 1July 2009 to 8 August 2009 and Sandhurst Trustees Ltd for the period 18 September 2009 to 30 June 2010. Fees paid to Mr Matthews include $20,000 for his appointment as co-chairman of the **Community Bank**® Strategic Advisory Board.
6 Appointed on 1 March 2010.
7 Retired on 26 October 2009.

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 2010 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	16	15							4	4	6	6
M Hirst	16	16			11	11	6	6				
K Osborn[1]	9	8	4	4	5	5	3	3				
K Abrahamson	16	14	8	7							6	5
J Dawson	16	15	8	8	11	9						
J McPhee[2]	10	9			6	6	3	3			3	3
T O'Dwyer	16	16	8	7			6	6			6	6
D Radford	16	16	8	7	11	11			4	4	6	6
K Roache[3]	8	6			3	2						
A Robinson	16	15					6	6	4	4		
D Matthews[4]	4	4			4	4	2	2				
J Hazel[4]	4	4			4	4	2	2	1	1		

A = Number eligible to attend
B = Number attended

[1] Mr Osborn resigned from the Board 3 December 2009.
[2] Mr McPhee resigned from the Board 27 January 2010.
[3] Mr Roache retired from the Board 26 October 2009.
[4] Mr Matthews and Mr Hazel were appointed to the Board on 1 March 2010.

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	233,314	500	-	-	-
M J Hirst	59,288 [1]	-	-	-	1,049,735
K D Abrahamson	19,284	-	90	129	-
J L Dawson	20,001	100	-	-	-
T J O'Dwyer	68,575	-	-	-	-
D L Radford	1,900	-	-	-	-
A D Robinson	5,966	-	-	-	-
D Matthews	1,540	-	-	-	-
J Hazel	5,145	-	-	-	-

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

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 twelve 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 2010. 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 2010. 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 2010:

(a) Audit related fees (Regulatory):

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	108,799	Bendigo and Adelaide Bank Limited
Australian Financial Services Licence Audits	68,234	(1) Refer below
Trust Deed Report – Euro Medium Term Note Program	25,750	Bendigo and Adelaide Bank Limited
Trust Deed Report - Victorian Securities Trust	11,588	Bendigo and Adelaide Bank Limited
Sub total – Audit related fees (Regulatory)	**214,371**	

(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) Audit related fees (Non-regulatory):

In its capacity as the Group's external auditor, Ernst & Young are periodically engaged to provide assurance and related services not required by statute or regulation but are reasonably related to the performance of the audit or review of the Group's financial statements which are traditionally performed by the external auditor. These services include assurance of the Group's credit assessments and reviews of the Group's acquisition accounting and tax consolidation processes. The amounts shown are GST exclusive.

Service Category	**Fees** (excluding GST) $	**Entity**
Independent Accountants Report	7,983	Victorian Securities Corporation Limited
Sub total – Audit related fees (Non-regulatory)	**7,983**	

(c) Non audit related fees:

Service	**Fees** (excluding GST) $	**Entity**
Tax advice	986,004	Bendigo and Adelaide Bank Limited
Professional Services	243,595	Bendigo and Adelaide Bank Limited
Sub total – non audit related fees	**1,229,599**	
Total – non audit services	**1,451,953**	

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

This assessment was made on the basis that the non-audit services performed did not represent the performance of management functions or the making of management decisions, nor were the dollar amounts of the non-audit fees considered sufficient to impair the external auditor's independence. As noted previously, this Audit Committee's assessment has been reviewed and accepted by the full Board.

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

In relation to our audit of the financial report of Bendigo and Adelaide Bank Limited for the financial year ended 30 June 2010, 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.

Ernst & Young

Ernst & Young

T M Dring
Partner
Melbourne

8 September 2010

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

Robert Johanson	**Mike Hirst**
Chairman	**Managing Director**

8 September 2010

INCOME STATEMENT

for the year ended 30 June 2010

	Note	Consolidated		Parent	
		2010	2009	2010	2009
Income		$m	$m	$m	$m
Net interest income					
Interest income	4	2,712.2	3,154.7	2,032.6	1,842.4
Interest expense	4	1,857.6	2,519.7	1,361.1	1,435.0
Total Net interest income		854.6	635.0	671.5	407.4
Other revenue					
Dividends	4	6.3	2.2	111.8	147.4
Fees	4	201.6	203.0	182.5	166.2
Commissions	4	40.9	47.7	16.0	13.8
Other revenue	4	33.5	22.7	72.9	31.6
Total other revenue		282.3	275.6	383.2	359.0
Other income					
Ineffectiveness in cash flow hedges	4	(33.9)	(93.6)	(37.4)	(36.4)
Realised accounting gain on the sale of equity investments	4	19.9	26.0	0.3	25.9
Other	4	(0.6)	(0.2)	(0.6)	(12.0)
		(14.6)	(67.8)	(37.7)	(22.5)
Share of joint ventures net profit/losses	22	12.7	30.9	-	-
Total income after interest expense		1,135.0	873.7	1,017.0	743.9
Expenses					
Bad and doubtful debts on loans and receivables					
Bad and doubtful debts		50.9	86.2	40.0	63.7
Bad and doubtful debts recovered		(6.2)	(5.9)	(6.0)	(4.0)
Total bad and doubtful debts on loans and receivables	4	44.7	80.3	34.0	59.7
Other expenses					
Staff and related costs	4	334.7	296.8	302.0	241.1
Occupancy costs	4	57.7	54.8	83.7	68.8
Amortisation of intangibles	4	38.2	32.7	31.4	20.8
Property, plant & equipment costs	4	13.4	13.9	12.4	12.0
Fees and commissions	4	37.9	22.2	19.8	18.3
Impairment loss on equity investments	4	-	10.0	-	9.2
Property revaluation	4	10.2	-	-	-
Integration costs	4	35.1	41.4	27.8	37.0
Employee shares shortfall	4	(2.6)	5.3	(2.6)	5.3
Other	4	215.0	197.0	201.3	166.3
Total other expenses		739.6	674.1	675.8	578.8
Profit before income tax expense		350.7	119.3	307.2	105.4
Income tax (expense)/benefit	6	(90.8)	(35.5)	(63.1)	8.2
Net profit for the period		259.9	83.8	244.1	113.6
Net (profit) attributable to non-controlling interest		(17.3)	-	-	-
Net profit attributable to owners of the parent		242.6	83.8	244.1	113.6

Earnings per share for profit attributable to the ordinary equity holders of the parent:

	Note	2010	2009
Basic earnings per ordinary share (cents per share)	9	67.4	25.6
Diluted earnings per ordinary share (cents per share)	9	62.9	25.6
Franked dividends per ordinary share (cents per share)	10	58.0	43.0

BALANCE SHEET
as at 30 June 2010

	Note	Consolidated		Parent	
		2010	2009	2010	2009
		$m	$m	$m	$m
Assets					
Cash and cash equivalents	14	760.5	912.6	615.0	527.5
Due from other financial institutions	14	279.7	235.4	279.0	235.4
Amounts receivable from controlled entities		-	-	694.9	765.7
Assets held for sale	24	-	-	-	-
Financial assets held for trading	15	3,985.2	3,882.3	3,986.3	5,613.3
Financial assets available for sale - debt securities	16	261.5	-	2,039.3	-
Financial assets held to maturity	18	482.8	344.9	97.4	266.4
Current tax asset		-	84.4	-	84.4
Other assets	28	618.2	512.3	460.8	660.4
Financial assets available for sale - equity investments	17	111.7	84.1	3.0	5.9
Derivatives	44	7.4	49.0	130.8	124.7
Loans and other receivables - investment	19	541.0	505.7	541.0	505.7
Net loans and other receivables	19	42,980.8	38,235.2	35,636.6	34,598.4
Investments in joint ventures accounted for using the equity method	22	7.2	225.9	-	-
Shares in controlled entities		-	-	653.6	460.6
Property, plant & equipment	23	103.6	115.9	85.4	93.8
Deferred tax assets	6	201.0	212.0	146.5	186.8
Investment property	25	158.9	115.6	-	-
Intangible assets and goodwill	26	1,641.6	1,598.9	1,481.6	1,476.7
Total Assets		52,141.1	47,114.2	46,851.2	45,605.7
Liabilities					
Due to other financial institutions	14	195.5	196.3	194.3	196.3
Deposits	29	37,076.2	31,879.8	33,504.2	31,894.1
Notes payable	29	9,042.8	9,974.5	1,156.4	2,102.4
Derivatives	44	263.6	436.4	220.3	486.2
Other payables	30	777.3	665.9	820.8	903.3
Loans payable to securitisation trusts		-	-	6,406.7	6,033.4
Income tax payable	6	73.1	-	59.9	-
Provisions	31	89.1	62.7	76.9	62.7
Deferred tax liabilities	6	120.7	91.7	129.9	95.5
Reset preference shares	32	89.5	89.5	89.5	89.5
Subordinated debt - at amortised cost	33	532.9	598.7	393.7	598.7
Total Liabilities		48,260.7	43,995.5	43,052.6	42,462.1
Net Assets		3,880.4	3,118.7	3,798.6	3,143.6
Equity					
Equity attributable to equity holders of the parent					
Issued capital - ordinary	34	3,361.7	3,003.9	3,361.7	3,003.9
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	(27.7)	(32.7)	(27.7)	(32.7)
Reserves	35	(22.3)	(185.3)	29.5	(159.5)
Retained earnings	35	234.5	144.3	246.6	143.4
Total parent interests		3,734.7	3,118.7	3,798.6	3,143.6
Total non-controlling interests		145.7	-	-	-
Total Equity		3,880.4	3,118.7	3,798.6	3,143.6

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2010

	Note	Consolidated		Parent	
		2010	2009	2010	2009
		$m	$m	$m	$m
Available for sale financial assets revaluation	35	31.6	(34.3)	(1.1)	(36.8)
Transfer available for sale assets revaluation to income	35	-	19.1	0.2	19.8
Transfer available for sale assets impairment loss to income	35	-	0.9	-	0.1
Asset revaluation reserve - property	35	4.7	-	-	-
Net gain/(loss) on cash flow hedges taken to equity	35	132.8	(526.2)	228.5	(436.3)
Net gain/(loss) on cash flow hedges taken to equity - joint ventures	35	11.9	(12.2)	-	-
Net gain/(loss) on reclassification from cash flow hedge reserve to income	35	33.7	86.7	35.8	29.5
Net unrealised gain/(loss) on investments in available for sale portfolio	35	0.3	-	0.2	-
Actuarial gain/(loss) on superannuation defined benefits plan	35	2.8	(6.6)	2.8	(2.4)
Tax effect on items taken directly to or transferred from equity	35	(64.5)	96.9	(78.9)	93.9
Net income/(loss) recognised directly in equity		153.3	(375.7)	187.5	(332.2)
Profit for the year		259.9	83.8	244.1	113.6
Total comprehensive income for the period		413.2	(291.9)	431.6	(218.6)
Total comprehensive income for the period attributable to:					
Non-controlling interest		17.8	-	-	-
Members of the Parent		395.4	(291.9)	431.6	(218.6)

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2010

	Attributable to owners of Bendigo and Adelaide Bank Limited													Non-controlling interest	Total equity
	Issued ordinary capital	ESOP shares	Preference shares	Retained earnings	Employee benefits reserve	Asset revaluation reserve - property	Asset revaluation reserve - AFS share investments	Net unrealised gains reserve	Cash flow hedge reserve	Cash flow hedge reserve joint ventures	General reserve for credit losses	General reserve for credit losses joint ventures	Total		
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
CONSOLIDATED															
At 1 July 2009															
Opening balance b/fwd	3,003.9	(32.7)	188.5	144.3	13.6	2.1	5.5	-	(295.4)	(8.3)	86.1	11.1	3,118.7	-	3,118.7
Acquired in business combination	-	-	-	-	-	-	-	-	-	-	-	-	-	131.6	131.6
Comprehensive income:															
Profit for the year	-	-	-	242.6	-	-	-	-	-	-	-	-	242.6	17.3	259.9
Other comprehensive income	-	-	-	4.0	-	1.5	22.0	0.3	116.7	8.3	-	-	152.8	0.5	153.3
Total comprehensive income for the period	-	-	-	246.6	-	1.5	22.0	0.3	116.7	8.3	-	-	395.4	17.8	413.2
Transactions with owners in their capacity as owners:															
Shares issued	368.1	-	-	-	-	-	-	-	-	-	-	-	368.1	-	368.1
Share issue expenses	(10.3)	-	-	-	-	-	-	-	-	-	-	-	(10.3)	-	(10.3)
Reduction in Employee Share Ownership Plan shares	-	5.0	-	-	-	-	-	-	-	-	-	-	5.0	-	5.0
Movement in general reserve for credit losses (GRCL)	-	-	-	(18.6)	-	-	-	-	-	-	18.6	-	-	(0.2)	(0.2)
Movement in GRCL - joint ventures	-	-	-	11.1	-	-	-	-	-	-	-	(11.1)	-	-	-
Share based payment	-	-	-	-	6.7	-	-	-	-	-	-	-	6.7	-	6.7
Equity dividends	-	-	-	(148.9)	-	-	-	-	-	-	-	-	(148.9)	(17.8)	(166.7)
Acquisition Accounting Amortisation Unwind	-	-	-	-	-	-	-	-	-	-	-	-	-	15.1	15.1
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	(0.8)	(0.8)
At 30 June 2010	3,361.7	(27.7)	188.5	234.5	20.3	3.6	27.5	0.3	(178.7)	-	104.7	-	3,734.7	145.7	3,880.4

STATEMENT OF CHANGES IN EQUITY (continued…)

for the year ended 30 June 2009

	Attributable to owners of Bendigo and Adelaide Bank Limited													Non-controlling interest	Total equity
	Issued ordinary capital	ESOP shares	Preference shares	Retained earnings	Employee benefits reserve	Asset revaluation reserve - property	Asset revaluation reserve - AFS share investments	Net unrealised gains reserve	Cash flow hedge reserve	Cash flow hedge reserve joint ventures	General reserve for credit losses	General reserve for credit losses joint ventures	Total		
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
CONSOLIDATED															
At 1 July 2008															
Opening balance b/fwd	2,706.3	(37.4)	188.5	269.9	12.4	2.1	14.8	-	51.9	3.9	76.2	9.3	3,297.9	-	3,297.9
Comprehensive income:															
Profit for the year	-	-	-	83.8	-	-	-	-	-	-	-	-	83.8	-	83.8
Other comprehensive income	-	-	-	(6.9)	-	-	(9.3)	-	(347.3)	(12.2)	-	-	(375.7)	-	(375.7)
Total comprehensive income for the period	-	-	-	76.9	-	-	(9.3)	-	(347.3)	(12.2)	-	-	(291.9)	-	(291.9)
Transactions with owners in their capacity as owners:															
Shares issued	299.8	-	-	-	-	-	-	-	-	-	-	-	299.8	-	299.8
Share issue expenses	(2.2)	-	-	-	-	-	-	-	-	-	-	-	(2.2)	-	(2.2)
Reduction in Employee Share Ownership Plan shares	-	4.7	-	-	-	-	-	-	-	-	-	-	4.7	-	4.7
Movement in general reserve for credit losses (GRCL)	-	-	-	(9.9)	-	-	-	-	-	-	9.9	-	-	-	-
Movement in GRCL-joint ventures	-	-	-	(1.8)	-	-	-	-	-	-	-	1.8	-	-	-
Share based payment	-	-	-	-	1.2	-	-	-	-	-	-	-	1.2	-	1.2
Equity dividends	-	-	-	(190.4)	-	-	-	-	-	-	-	-	(190.4)	-	(190.4)
Transfer of business - Adelaide Bank	-	-	-	(0.4)	-	-	-	-	-	-	-	-	(0.4)	-	(0.4)
At 30 June 2009	3,003.9	(32.7)	188.5	144.3	13.6	2.1	5.5	-	(295.4)	(8.3)	86.1	11.1	3,118.7	-	3,118.7

STATEMENT OF CHANGES IN EQUITY (continued…)

for the year ended 30 June 2010

	Attributable to owners of Bendigo and Adelaide Bank Limited										Total equity
	Issued ordinary capital	ESOP shares	Preference shares	Retained earnings	Employee Benefits Reserve	Asset Revaluation Reserve - Property	Asset Revaluation Reserve - AFS Share Investments	Net Unrealised Gains Reserve	Cash Flow Hedge Reserve	General Reserve For Credit Losses	
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	
PARENT											
At 1 July 2009											
Opening balance b/fwd	3,003.9	(32.7)	188.5	143.4	13.6	0.3	2.3	-	(261.8)	86.1	3,143.6
Acquired in business combination	-	-	-	-	-	-	-	-	-	-	-
Comprehensive income:											
Profit for the year	-	-	-	244.1	-	-	-	-	-	-	244.1
Other comprehensive income	-	-	-	2.5	-	-	(0.6)	0.2	185.4	-	187.5
Total comprehensive income for the period	-	-	-	246.6	-	-	(0.6)	0.2	185.4	-	431.6
Transactions with owners in their capacity as owners:											
Shares issued	368.1	-	-	-	-	-	-	-	-	-	368.1
Share issue expenses	(10.3)	-	-	-	-	-	-	-	-	-	(10.3)
Reduction in Employee Share Ownership Plan shares	-	5.0	-	-	-	-	-	-	-	-	5.0
Movement in general reserve for credit losses (GRCL)	-	-	-	(0.1)	-	-	-	-	-	0.1	-
Share based payment	-	-	-	-	3.9	-	-	-	-	-	3.9
Equity dividends	-	-	-	(148.8)	-	-	-	-	-	-	(148.8)
Acquisition Accounting Amortisation Unwind	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	5.5	-	-					5.5
At 30 June 2010	3,361.7	(27.7)	188.5	246.6	17.5	0.3	1.7	0.2	(76.4)	86.2	3,798.6

STATEMENT OF CHANGES IN EQUITY (continued…)

for the year ended 30 June 2009

	Attributable to owners of Bendigo and Adelaide Bank Limited										Total equity
	Issued ordinary capital	ESOP shares	Preference shares	Retained earnings	Employee Benefits Reserve	Asset Revaluation Reserve - Property	Asset Revaluation Reserve - AFS Share Investments	Net Unrealised Gains Reserve	Cash Flow Hedge Reserve	General Reserve For Credit Losses	
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	
PARENT											
At 1 July 2008											
Opening balance b/fwd	2,706.3	(37.4)	188.5	246.1	12.6	0.3	13.6	-	56.4	46.2	3,232.6
Acquired in business combination	-	-	-	-	-	-	-	-	-	-	-
Comprehensive income:											
Profit for the year	-	-	-	113.6	-	-	-	-	-	-	113.6
Other comprehensive income	-	-	-	(2.7)	-	-	(11.3)	-	(318.2)	-	(332.2)
Total comprehensive income for the period	-	-	-	110.9	-	-	(11.3)	-	(318.2)	-	(218.6)
Transactions with owners in their											-
capacity as owners:											-
Shares issued	299.8	-	-	-	-	-	-	-	-	-	299.8
Share issue expenses	(2.2)	-	-	-	-	-	-	-	-	-	(2.2)
Reduction in Employee Share											-
Ownership Plan shares	-	4.7	-	-	-	-	-	-	-	-	4.7
Movement in general reserve for											-
credit losses (GRCL)	-	-	-	(39.9)	-	-	-	-	-	39.9	-
Share based payment	-	-	-	-	1.0	-	-	-	-	-	1.0
Equity dividends	-	-	-	(190.9)	-	-	-	-	-	-	(190.9)
Transfer of business - Adelaide Bank	-	-	-	17.2	-	-					17.2
At 30 June 2009	3,003.9	(32.7)	188.5	143.4	13.6	0.3	2.3	-	(261.8)	86.1	3,143.6

CASH FLOW STATEMENT

for the year ended 30 June 2010

	Note	Consolidated		Parent	
		2010	2009	2010	2009
		$m	$m	$m	$m
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest and other items of a similar nature received		2,591.2	3,059.1	1,940.1	1,749.8
Interest and other costs of finance paid		(1,835.7)	(2,481.6)	(1,332.1)	(1,415.1)
Receipts from customers (excluding effective interest)		250.3	236.3	278.9	251.4
Payments to suppliers and employees		(630.9)	(646.7)	(625.6)	(700.0)
Dividends received		17.3	34.9	120.3	36.1
Income taxes paid		(44.2)	(74.7)	(133.2)	(59.4)
Net cash flows from operating activities	13	348.0	127.3	248.4	(137.2)
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash paid for purchases of property, plant and equipment		(17.7)	(21.2)	(10.9)	(8.4)
Cash proceeds from sale of property, plant and equipment		0.6	0.9	0.5	0.7
Cash paid for purchases of investment property		(32.3)	(26.1)	-	-
Cash proceeds from sale of investment property		4.2	102.5	-	-
Cash paid for purchases of intangible software		(0.1)	(9.7)	-	(9.5)
Cash paid for purchases of equity investments		(5.8)	(80.2)	(13.3)	(101.8)
Cash proceeds from sale of equity investments		4.3	42.1	1.7	112.6
Net (increase)/decrease in balance of loans and other receivables outstanding		(1,240.1)	2,833.2	(57.1)	679.8
Net (increase)/decrease in balance of investment securities		243.3	(987.9)	(690.5)	(4,134.4)
Net cash paid on acquisition of a portfolio		-	(1,482.0)	-	-
Net cash received/(paid) on acquisition of a subsidiary		42.7	-	-	-
Proceeds from discontinued operations		-	-	5.5	129.2
Net cash flows from/(used in) investing activities		(1,000.9)	371.6	(764.1)	(3,331.8)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of ordinary shares		320.0	192.8	320.0	192.8
Net increase/(decrease) in balance of retail deposits		1,538.4	4,911.7	1,649.1	4,977.6
Net increase/(decrease) in balance of wholesale deposits		(52.1)	(4,429.0)	(44.8)	(2,483.5)
Proceeds from issue of subordinated debt		51.0	-	30.0	-
Repayment of subordinated debt		(237.0)	(80.0)	(237.0)	(80.0)
Dividends paid		(99.5)	(142.2)	(99.5)	(142.2)
Dividends paid non controlling entity		(20.1)	-	-	-
Net increase/(decrease) in balance of notes payable		(949.5)	(1,341.9)	(963.7)	1,042.0
Repayment of ESOP shares		5.0	4.7	5.0	4.7
Payment of share issue costs		(10.3)	(2.2)	(10.3)	(2.2)
Net cash flows from/(used in) financing activities		545.9	(886.1)	648.8	3,509.2
Net increase/(decrease) in cash and cash equivalents		(107.0)	(387.2)	133.1	40.2
Cash and cash equivalents at the beginning of period		951.7	1,338.9	566.6	526.4
Cash and cash equivalents at the end of period	14	844.7	951.7	699.7	566.6

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The financial report of Bendigo and Adelaide Bank Limited (the Company) for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the directors on 8 September 2010.

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, including the application of ASIC Class Order 10/654 allowing the disclosure of Parent entity financial statements due to Australian Financial Services Licensing obligations.

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).

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 2010:

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 except for the following: The amendment to AASB 117 removes 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 vs. property, plant and equipment) needs to be determined. The amendment to AASB 101 stipulates that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification. The amendment to AASB 107 explicitly states that only expenditure that results in a recognised asset can be classified as a cash flow from investing activities. The amendment to AASB 118 provides additional guidance to determine whether an entity is acting as a principal or as an agent. The features indicating an entity is acting as a principal are whether the entity: ► has primary responsibility for providing the goods or service; ► has inventory risk; ► has discretion in establishing prices; ► bears the credit risk. The amendment to AASB 136 clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment, as defined in IFRS 8 before aggregation for reporting purposes. The main change to AASB 139 clarifies that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract. The other changes clarify the scope exemption for business combination contracts and provide clarification in relation to accounting for cash flow hedges.	1 January 2010	The Group has not yet determined the extent of the impacts of the amendments, if any.	1 July 2010

Reference	**Title**	**Summary**	**Application date of standard***	**Impact on Group financial report**	**Application date for Group***
AASB 2009-8	Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]	This Standard makes amendments to Australian Accounting Standard AASB 2 *Share-based Payment* and supersedes Interpretation 8 *Scope of AASB 2* and Interpretation 11 *AASB 2 – Group and Treasury Share Transactions*. The amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments clarify the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to 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.	1 January 2010	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 2010
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which includes: ► two categories for financial assets being amortised cost or fair value ► removal of the requirement to separate embedded derivatives in financial assets ► strict requirements to determine which financial assets can be classified as amortised cost or fair value, Financial assets can only be classified as amortised cost if (a) the contractual cash flows from the instrument represent principal and interest and (b) the entity's purpose for holding the instrument is to collect the contractual cash flows ► an option for investments in equity instruments which are not held for trading to recognise fair value changes through other comprehensive income with no impairment testing and no recycling through profit or loss on derecognition ► reclassifications between amortised cost and fair value no longer permitted unless the entity's business model for holding the asset changes ► changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income	1 January 2013	The Group has not yet determined the extent of the impacts of the amendments, if any.	1 July 2013

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations. The amendment to AASB 124 clarifies and simplifies the definition of a related party as well as providing some relief for government-related entities (as defined in the amended standard) to disclose details of all transactions with other government-related entities (as well as with the government itself)	1 January 2011	The Group has not yet determined the extent of the impacts of the amendments, if any.	1 July 2011
AASB 2009-13	Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1]	This amendment to AASB 1 allows a first-time adopter may apply the transitional provisions in Interpretation 19 as identified in AASB 1048.	1 July 2010	The Group has not yet determined the extent of the impacts of the amendments, if any.	1 July 2010
AASB 2009-14	Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	These amendments arise from the issuance of Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14). The requirements of IFRIC 14 meant that some entities that were subject to minimum funding requirements could not treat any surplus in a defined benefit pension plan as an economic benefit. The amendment requires entities to treat the benefit of such an early payment as a pension asset. Subsequently, the remaining surplus in the plan, if any, is subject to the same analysis as if no prepayment had been made.	1 January 2011	The Group has not yet determined the extent of the impacts of the amendments, if any.	1 July 2011
Interpretation 19***	Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	This interpretation clarifies clarifies that equity instruments issued to a creditor to extinguish a financial liability are “consideration paid” in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability. The interpretation states that equity instruments issued in a debt for equity swap should be measured at the fair value of the equity instruments issued, if this can be determined reliably. If the fair value of the equity instruments issued is not reliably determinable, the equity instruments should be measured by reference to the fair value of the financial liability extinguished as of the date of extinguishment.	1 July 2010	The Group has not yet determined the extent of the impacts of the amendments, if any.	1 July 2010

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2010-3	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139]	Limits the scope of the measurement choices of non-controlling interest at proportionate share of net assets in the event of liquidation. Other components of NCI are measured at fair value. Requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration and post combination expenses. Clarifies that contingent consideration from a business combination that occurred before the effective date of AASB 3 Revised is not restated. Eliminates the requirement to restate financial statements for a reporting period when significant influence or joint control is lost and the reporting entity accounts for the remaining investment under AASB 139. This includes the effect on accumulated foreign exchange differences on such investments.	1 July 2010	The Group has not yet determined the extent of the impacts of the amendments, if any.	1 July 2010
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]	Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions Clarify that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.	1 January 2011	The Group has not yet determined the extent of the impacts of the amendments, if any.	1 July 2011

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 the 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.

2.5 Changes in accounting policies

The accounting policies are consistent with those applied in the previous financial year and corresponding interim period except as follows:

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as at 1 July 2009

AASB 8 *Operating Segments*, effective 1 July 2009
AASB 7 *Financial Instruments: Disclosures*, effective 1 July 2009
AASB 123 *Borrowing Costs*, effective 1 July 2009
AASB 101 *Presentation of Financial Statements*, effective 1 July 2009
AASB 2008-1 *Share-based Payments: Vesting Conditions and Cancellations*, effective 1 July 2009
AASB 3 *(Revised) Business Combinations*, effective 1 July 2009
AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project*, effective 1 July 2009
AASB 2008-7 *Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*, effective 1 July 2009
AASB 2009-2 *Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments*, effective 1 July 2009

When the adoption of the Standard or Interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB 7 Financial Instruments: Disclosures
The amended Standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to all financial instruments recognised and measured at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in note 43. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in note 43.

AASB 8 Operating Segments
AASB 8 replaced AASB 114 *Segment Reporting* upon its effective date. The Group concluded that the operating segments determined in accordance with AASB 8 are the same as the business segments previously identified under AASB 114. AASB 8 disclosures are shown in note 3, including the related revised comparative information.

AASB 101 Presentation of Financial Statements
The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new statement of comprehensive income. The statement of comprehensive income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present one statement.

AASB 123 Borrowing Costs
The revised AASB 123 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The Group's previous policy was to expense borrowing costs as they were incurred. In accordance with the transitional provisions of the amended AASB 123, the Group has adopted the Standard on a prospective basis. Therefore, borrowing costs are capitalised on qualifying assets with a commencement date on or after 1 January 2009. The Group did not capitalise any borrowing costs in the current year.

AASB 2008-7 Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
The amendments delete the reference to the “cost method” making the distinction between pre and post acquisition profits no longer relevant. All dividends received are now recognised in profit or loss rather than having to be split between a reduction in the investment and profit and loss. However the receipt of such dividends requires an entity to consider whether there is an indicator of impairment of the investment in that subsidiary. The receipt of dividends by Bendigo and Adelaide Bank Limited during the year did not impact the recoverability of the investment in the subsidiary. The amendments further clarify cases or reorganisations where a new parent is inserted above an existing parent of the group. It states that the cost of the subsidiary is the previous carrying amount of its share of equity items in the subsidiary rather than its fair value. The adoption of these amendments did not have any impact on the financial position or the performance of the Group.

Annual Improvements Project
In May 2008 and April 2009 the AASB issued omnibus of amendments to its Standards as part of the Annual Improvements Project, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions and application dates for each amendment. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

AASB 8 *Operating Segments*: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does review segment assets and liabilities, the Group has continued to disclose this information in note 3.

AASB 101 *Presentation of Financial Statements*: assets and liabilities classified as held for trading in accordance with AASB 139 *Financial Instruments: Recognition and Measurement* are not automatically classified as current in the statement of financial position. The Group amended its accounting policy accordingly and analysed whether management's expectation of the period of realisation of financial assets and liabilities is in accordance with AASB 101. This did not result in any re-classification of financial instruments between current and non-current in the statement of statement of financial position.

AASB 116 *Property, Plant and Equipment:* replace the term "net selling price" with "fair value less costs to sell". The Group amended its accounting policy accordingly, which did not result in any change in the financial position.

AASB 120 *Accounting for Government Grants and Disclosures of Government Assistance*: loans granted with no or low interest will not be exempt from the requirement to impute interest. Interest is to be imputed on loans granted with below-market interest rates. This amendment did not impact the Group as the government assistance received is not loans but direct grants.

AASB 123 *Borrowing Costs*: the definition of borrowing costs is revised to consolidate the two types of items that are considered components of “borrowing costs” into one - the interest expense calculated using the effective interest rate method calculated in accordance with AASB 139. The Group has amended its accounting policy accordingly which did not result in any change in its statement of financial position.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB 128 *Investment in Associates*: an investment in an associate is a single asset for the purpose of conducting the impairment test, including any reversal of impairment. Any impairment is not separately allocated to the goodwill included in the investment balance. Any impairment is reversed if the recoverable amount of the associate increases. The Group has amended its impairment accounting policy accordingly. The amendment had no impact on the Group's financial position or performance. The Group has amended its impairment accounting policy accordingly.

AASB 136 *Impairment of Assets*: when discounted cash flows are used to estimate "fair value less cost to sell" additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate "value in use". The Group has amended its disclosures accordingly in note 27. The amendment also clarified that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in AASB 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation.

AASB 138 *Intangible Assets*: expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service. This amendment has no impact on the Group because it does not enter into such promotional activities.

2.6 Significant accounting judgments, estimates and assumptions

(i) Significant accounting judgments

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

Operating Lease Commitments – Group as Lessor

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

Recovery of deferred tax assets

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

(ii) Significant accounting estimates and assumptions

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

Impairment of goodwill and intangibles with indefinite useful lives.

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

Impairment of financial assets and property, plant & equipment.

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

Impairment of non-financial assets other than goodwill

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

Employee benefits (leave provisions)

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

Superannuation defined benefit plan

Various actuarial assumptions are required when determining the group's superannuation obligations. The bank's policy on superannuation defined benefit plan is disclosed in Note 2.24 and Note 45.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets held for sale – head office development asset

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.

Income tax

As a result of recent changes to the taxation legislation through the passing of Tax Laws Amendment (2010 Measures No,1) Bill 2010 which received Royal Assent on 3 June 2010, Bendigo & Adelaide Bank Limited is in the process of preparing private ruling requests to be lodged with the Australian Taxation Office with respect to the potential deductions for certain assets that were acquired as part of the acquisition of Adelaide Bank Limited. The potential tax deduction could range from nil to approximately $165.2 million (tax effected: nil to $49.6m). Due to the recent enactment of the legislation and the very limited history in its application, there is uncertainty as to the availability of this deduction and accordingly the financial effect of any potential tax deductions arising from tax legislative changes have not been brought to account in the financial report.

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. At each reporting period, the Bank reassess the requirement to consolidate these SPEs in accordance with AASB 127 and significant judgement is exercised.

2.8 Trustee and funds management activities

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

2.9 Foreign currency transactions and balances

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

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

2.10 Cash and cash equivalents

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

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

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

2.11 Classification of financial instruments

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the income statement when the instruments are derecognised. Treasury funding instruments that are hedged are treated in accordance with the accounting policy for hedges.

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

Financial assets – available for sale share investments

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

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

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

2.13 Loans and receivables

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

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

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

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

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

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

Australian Prudential Regulation Authority (“APRA”) requires that banks maintain a general reserve for credit losses to cover risks inherent in loan portfolios. In certain circumstances the collective provision can be included in this assessment.

Movements in the general reserve for credit losses are recognised as an appropriation of retained earnings.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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	**2010**	**2009**
	Years	**Years**
Freehold buildings	40	40
Leasehold improvements	3 - 10	3 - 10
Plant & equipment	2 - 10	2 - 10

Impairment

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

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

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

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

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

Revaluations

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

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

Any revaluation surplus is credited to the asset revaluation reserve included in the statement of comprehensive income and 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 and discounts for any restrictions on the ability to realise the investment property due to contractual obligations. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

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

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

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

2.17 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.

2.18 Intangible 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Computer software

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

Research and development costs

Research costs are expensed as incurred.

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

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

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

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

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

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

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

2.19 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.

2.20 Reserve fund

Up until May 2010, the Trustee Companies Act 1984 required 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. Sandhurst Trustees Limited complied with the Act by setting aside the value of at call investments, freehold property and other financial assets to a reserve fund.

2.21 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.

2.22 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

2.23 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.

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 one 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 statement of comprehensive income.

2.24 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 2008 and is open to 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2.25 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.

2.26 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.27 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.

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.

2.28 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.

2.29 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.

2.30 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.31 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.

2.32 Derivative financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

2.33 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.

2.34 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.

2.35 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 RESULTS

Segment information

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (chief operating decision makers) in assessing performance and determining the allocation of resources.

The operating segments are identified 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. Discrete financial information about each of these operating businesses is reported to the executive management team on a monthly basis.

The segments presented reflect changes to the structure which were implemented during the year, including recognition of Rural Bank as a single operating segment. The comparatives have been restated to reflect the changed structure.

Segment assets and liabilities reflect the value of loans and deposits directly managed by the operating segment. All other assets of the group are managed centrally.

Types of products and services

Retail banking
Net interest income predominantly derived from the provision of first mortgage finance less 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.

Third party banking
Net interest income and fees derived from the manufacture and processing of residential home loans, distributed through mortgage brokers, mortgage managers and predominantly mortgage originators and Alliance partners.

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

Rural Bank
Profit share from equity accounted investment in the joint controlled entity to September 2009. From 1 October 2009, the consolidated results of the Rural Bank joint venture. The principal activities of Rural Bank are the provision of banking services to agribusiness, rural and regional Australian communities.

Central functions
Functions not relating directly to a reportable operating segment.

Accounting policies and inter-segment transactions
The accounting policies used by the group in the reporting segments internally are the same as those contained in note 2 of the accounts.

Revenue and expenses associated with each business segment are included in determining their result. Transactions between business segments are based on agreed recharges between operating segments. Segment net interest income is recognised based on an internally set transfer pricing policy based on pre-determined market rates of return on the assets and liabilities of the segment.

Major customers

Revenues from no one single customer amount to greater than 10% of the Group's revenues.

For the year ended 30 June 2010

	Operating segments						
	Retail banking $m	Third party banking $m	Wealth $m	Rural Bank $m	**Total operating segments $m**	Central functions $m	**Total $m**
Net interest income	414.9	215.2	125.5	99.0	**854.6**	-	**854.6**
Other income	131.6	94.2	32.7	5.3	**263.8**	17.9	**281.7**
Share of net profit of equity accounted investments	-	-	-	11.6	**11.6**	1.1	**12.7**
Total segment income	546.5	309.4	158.2	115.9	**1,130.0**	19.0	**1,149.0**
Operating expenses	244.2	120.9	42.7	37.7	**445.5**	251.4	**696.9**
Credit expenses	18.8	15.7	3.7	6.9	**45.1**	2.0	**47.1**
Segment result	283.5	172.8	111.8	71.3	**639.4**	(234.4)	**405.0**

For the year ended 30 June 2009

	Operating segments						
	Retail banking $m	Third party banking $m	Wealth $m	Rural Bank $m	**Total operating segments $m**	Central functions $m	**Total $m**
Net interest income	352.4	204.4	78.2	-	**635.0**	-	**635.0**
Other income	120.8	93.1	32.7	-	**246.6**	28.8	**275.4**
Share of net profit of equity accounted investments	-	-	-	32.8	**32.8**	(1.9)	**30.9**
Total segment income	473.2	297.5	110.9	32.8	**914.4**	26.9	**941.3**
Operating expenses	214.5	118.3	38.5	-	**371.3**	242.7	**614.0**
Credit expenses	33.7	33.2	6.9	-	**73.8**	(0.4)	**73.4**
Segment result	225.0	146.0	65.5	32.8	**469.3**	(215.4)	**253.9**

	Operating segments						
Reportable segment assets	Retail banking $m	Third party banking $m	Wealth $m	Rural Bank $m	**Total operating segments $m**	Central functions $m	**Total $m**
As at 30 June 2010	21,383.6	13,510.4	3,730.9	4,164.0	**42,788.9**	9,352.2	**52,141.1**
As at 30 June 2009	19,154.0	16,287.0	3,364.0	-	**38,805.0**	8,309.2	**47,114.2**
Reportable segment liabilities							
As at 30 June 2010	25,592.0	482.9	3,849.0	3,818.2	**33,742.1**	6,584.7	**40,326.8**
As at 30 June 2009	23,941.0	767.0	4,172.0	-	**28,880.0**	7,264.5	**36,144.5**

SEGMENT RESULTS (continued)

Reconciliation between segment and statutory results
The table below reconciles the segment result back to the relevant statutory result presented in the financial report.

	Consolidated	
	Jun-10	Jun-09
	Full year	Full year
	$m	$m
Reconciliation of total segment income to group income		
Total segment income	**1,149.0**	941.3
Ineffectiveness in cash flow hedges	**(33.9)**	(93.6)
Profit on sale of other non-current assets	**19.9**	26.0
Total group income	**1,135.0**	873.7
Reconciliation of segment result to group profit before tax		
Total segment result	**405.0**	253.9
Ineffectiveness in cash flow hedges	**(33.9)**	(93.6)
Profit on sale of other non-current assets	**19.9**	26.0
Movement in collective provision	**2.4**	(6.9)
Non recurring expense items	**(42.7)**	(60.1)
Group profit before tax	**350.7**	119.3
Reconciliation of segment expenses to group total expenses		
Segment operating expenses	**696.9**	614.0
Non recurring expense items	**42.7**	60.1
Total group expenses	**739.6**	674.1
Reconciliation of segment credit expenses to bad and doubtful debts on loans and receivables		
Segment credit expenses	**47.1**	73.4
Movement in collective provision	**(2.4)**	6.9
Bad and doubtful debts on loans and receivables	**44.7**	80.3

	Group	
	As at	As at
	Jun-10	Jun-09
	$m	$m
Reportable segment assets		
Total assets for operating segments	**52,141.1**	47,114.2
Total assets	**52,141.1**	47,114.2
Reportable segment liabilities		
Total liabilities for operating segments	**40,326.8**	36,144.5
Securitisation funding	**7,933.9**	7,851.0
Total liabilities	**48,260.7**	43,995.5

Geographical Information
The allocation of revenue and assets is based on the geographical location of the customer. The group operates in all Australian states and territories, providing banking and other financial services.

4. PROFIT

Profit before income tax expense has been determined as follows:

	Consolidated		Parent	
	2010	2009	2010	2009
	$m	$m	$m	$m
(a) Income:				
Interest income				
Controlled entities				
Cash and cash equivalents	-	-	0.2	19.3
Financial assets (treasury) held for trading, available for sale and held to maturity	-	-	387.0	196.4
Loans and other receivables	-	-	607.3	13.2
Other persons/entities				
Cash and cash equivalents	28.3	47.9	37.2	46.5
Financial assets (treasury) held for trading	155.7	142.0	155.8	74.6
Financial assets (treasury) available for sale	8.8	31.7	3.1	31.6
Financial assets (treasury) held to maturity	26.6	81.6	8.0	67.8
Loans and other receivables	2,492.8	2,851.5	834.0	1,393.0
Total interest income	2,712.2	3,154.7	2,032.6	1,842.4
Interest expense				
Controlled entities				
Wholesale - domestic	-	-	4.7	11.2
Other persons/entities				
Deposits				
Retail	1,213.2	1,394.1	1,087.3	1,126.7
Wholesale - domestic	199.3	354.6	195.2	194.9
Wholesale - offshore	25.0	68.5	25.1	52.5
Other borrowings				
Notes payable	383.7	654.1	17.8	14.0
Reset preference shares	5.4	5.6	5.4	6.1
Subordinated debt	31.0	42.8	25.6	29.6
Total interest expense	1,857.6	2,519.7	1,361.1	1,435.0
Total net interest income	854.6	635.0	671.5	407.4
Other revenue				
Dividends				
Controlled entities	-	-	103.6	111.3
Joint ventures	-	-	8.1	34.0
Other	6.2	2.1	0.1	2.1
Distribution from unit trusts	0.1	0.1	-	-
	6.3	2.2	111.8	147.4
Fees				
Assets	61.8	58.7	54.1	52.3
Liabilities & electronic delivery	93.4	94.7	92.8	88.4
Securitisation income	13.4	20.1	13.1	9.7
Trustee, management & other services	9.7	10.8	0.3	0.4
Trading profit/(loss) - held for trading securities	4.1	(0.4)	4.1	(1.4)
Other	19.2	19.1	18.1	16.8
	201.6	203.0	182.5	166.2
Commissions				
Wealth solutions	25.4	28.9	0.8	0.7
Insurance	13.0	15.4	12.0	9.8
Other	2.5	3.4	3.2	3.3
	40.9	47.7	16.0	13.8
Other				
Income from property	1.4	1.4	30.5	21.9
Foreign exchange income	12.6	8.4	12.6	8.4
Factoring products income	11.3	10.6	11.3	3.9
Other	8.2	2.3	18.5	(2.6)
	33.5	22.7	72.9	31.6
Other income				
Ineffectiveness in cash flow hedges	(33.9)	(93.6)	(37.4)	(36.4)
Profit/(loss) on disposal of property, plant & equipment	(0.6)	(0.2)	(0.6)	0.1
Realised accounting gain on the sale of equity investments	19.9	26.0	0.3	25.9
Gain/(loss) on transfer of Adelaide business	-	-	-	(12.1)
	(14.6)	(67.8)	(37.7)	(22.5)

PROFIT (continued)

	Consolidated		Parent	
	2010	2009	2010	2009
	$m	$m	$m	$m
(b) Expenses				
Bad and doubtful debts				
Specific provision	46.3	57.5	36.2	42.0
Collective provision	(0.1)	7.5	(0.9)	7.6
Bad debts written off	4.7	21.2	4.7	14.1
Bad debts recovered	(6.2)	(5.9)	(6.0)	(4.0)
	44.7	80.3	34.0	59.7
Staff and related costs				
Salaries, wages and incentives	276.3	245.0	250.7	197.9
Superannuation contributions	23.4	21.5	21.2	17.7
Provision for annual leave	3.6	0.5	2.4	0.4
Provision for long service leave	3.0	3.7	2.0	4.1
Other provisions	0.1	2.0	0.1	1.8
Payroll tax	14.7	11.2	13.3	8.6
Fringe benefits tax	2.8	3.1	2.3	2.2
Executive equity transactions expense	4.3	3.3	4.3	3.3
Other	6.5	6.5	5.7	5.1
	334.7	296.8	302.0	241.1
Occupancy costs				
Operating lease rentals	33.9	32.7	61.7	50.0
Depreciation of buildings	-	0.8	-	0.2
Amortisation of leasehold improvements	5.0	3.7	4.9	3.7
Property rates and outgoings	2.9	3.0	2.9	2.5
Land tax	0.2	0.1	0.2	0.1
Repairs and maintenance	5.6	4.7	4.2	3.8
Utilities	3.7	3.5	3.6	3.1
Cleaning	3.1	3.4	3.1	3.1
Other	3.3	2.9	3.1	2.3
	57.7	54.8	83.7	68.8
Amortisation of intangibles				
Amortisation of intangible assets	29.9	26.2	23.5	14.9
Amortisation of intangible software	8.3	6.5	7.9	5.9
	38.2	32.7	31.4	20.8
Property, plant & equipment costs				
Depreciation of property, plant & equipment	13.4	13.9	12.4	12.0
Fees and commissions	37.9	22.2	19.8	18.3
Impairment loss on equity investments	-	10.0	-	9.2
Employee shares shortfall/(gain)	(2.6)	5.3	(2.6)	5.3
Property revaluation	10.2	-	-	-
Integration costs	35.1	41.4	27.8	37.0
Other				
Administration expenses				
Communications, postage and stationery	32.1	33.2	30.2	29.4
Computer systems and software costs	58.1	53.4	53.6	45.7
Advertising & promotion	16.8	13.2	14.9	11.8
Other product & services delivery costs	38.8	32.7	36.8	31.2
Impairment loss - shares in controlled entities	-	-	2.5	4.9
Impairment loss - assets available for sale, equity investments	0.1	-	0.3	-
Consultancy expense	10.7	9.9	10.0	7.8
Legal expense	4.8	6.6	4.5	5.1
Travel expense	7.6	8.1	6.7	6.0
General administration expenses	43.8	34.8	37.4	31.5
Other	0.3	3.7	2.6	(8.0)
	213.1	195.6	199.5	165.4
Listing and rating agency costs	1.9	1.4	1.8	0.9
Total other	215.0	197.0	201.3	166.3

5. UNDERLYING PROFIT

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

	Consolidated 2010 $m	2009 $m
Profit after income tax expense	242.6	83.8
Add,		
Bad and doubtful debts expense (net of bad debts recovered)	44.7	80.3
Amortisation of intangibles (excluding software amortisation)	29.9	26.2
Significant items before tax	56.7	127.7
Income tax expense - total (Note 6)	90.8	35.5
Underlying profit before income tax	464.7	353.5

6. INCOME TAX EXPENSE

Major components of income tax expense are:

	Consolidated		Parent	
	2010	**2009**	**2010**	**2009**
	$m	**$m**	**$m**	**$m**
Income statement				
Current income tax				
Current income tax charge	112.9	(8.4)	47.7	(99.4)
Imputation credits	(12.2)	(15.0)	(9.6)	(14.9)
Adjustments in respect of current income tax of previous years	(4.4)	0.7	17.9	1.4
Deferred income tax				
Adjustments in respect of deferred income tax of previous years	(0.3)	-	(10.6)	-
Relating to origination and reversal of temporary differences	(5.2)	58.2	17.7	104.7
Income tax expense/(benefit) reported in the income statement	90.8	35.5	63.1	(8.2)
Statement of changes in equity				
Deferred income tax related to items charged or credited directly in equity				
Net gain/(loss) on cash flow hedge	52.9	33.6	78.9	(38.0)
Net gain/(loss) on revaluation of investments	9.6	(5.0)	(0.3)	(5.6)
Net gain on revaluation of land and buildings	1.7	(1.4)	-	(1.4)
Other	0.3	0.3	0.3	0.3
Income tax benefit reported in equity	64.5	27.5	78.9	(44.7)

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 2010 $m	Consolidated 2009 $m	Parent 2010 $m	Parent 2009 $m
Income tax expense attributable to:				
Accounting profit before income tax	350.7	119.3	307.2	105.4

INCOME TAX EXPENSE (continued)

	Consolidated		Parent	
	2010	2009	2010	2009
	$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	105.2	35.8	92.2	31.6
under (over) provision in prior years	(4.7)	0.7	7.3	1.4
tax credits and adjustments	(12.2)	(15.0)	(9.6)	(14.9)
Expenditure not allowable for income tax purposes	5.4	1.4	4.7	4.9
Expenditure subject to Research & Development Tax Concessions	(5.0)	(3.1)	(5.0)	(3.1)
Other non assessable income	(2.0)	(1.3)	(29.0)	(35.9)
Tax effect of franking credits	3.7	4.5	2.9	4.5
Other	0.4	12.5	(0.4)	3.3
Income tax expense/(benefit) reported in the consolidated income statement	90.8	35.5	63.1	(8.2)

Deferred income tax
Deferred income tax at 30 June relates to the following:

	Balance sheet			
	Consolidated		Parent	
	2010	2009	2010	2009
	$m	$m	$m	$m
Deferred tax liabilities				
Land, buildings and improvements	(1.6)	(0.4)	(0.2)	(0.2)
Revaluations of available-for-sale financial assets to fair value	(19.8)	3.1	0.5	3.1
Deferred gains of interest rate swaps	-	(11.9)	(39.6)	(14.6)
Intangible assets on acquisition	(52.2)	(62.0)	(42.5)	(62.0)
Deferred expenses	(23.0)	(13.0)	(23.0)	(13.0)
Lease receivable	(13.1)	(0.5)	(13.0)	(0.5)
Prepayments	(1.9)	0.3	(2.1)	(0.7)
Other	(9.1)	(7.3)	(10.0)	(7.6)
Deferred tax liabilities	(120.7)	(91.7)	(129.9)	(95.5)
Deferred tax assets				
Accrued expenses	0.7	0.6	0.2	0.6
Deferred expenses	2.8	9.6	2.8	9.6
Merger costs	0.1	0.2	0.1	0.2
Intangible liabilities on acquisition	2.8	14.8	6.2	14.8
Post-employment benefits	15.3	13.3	14.6	13.3
Deferred losses of interest rate swaps	73.4	108.6	63.2	116.7
Expenses tax depreciable	1.5	1.4	1.4	1.3
Losses available for offset against future taxable income	0.5	10.2	0.4	0.0
Land, buildings and improvements	7.5	6.1	6.9	6.1
Plant and equipment	1.6	(4.4)	0.0	(4.5)
Movement in provisions	9.0	5.5	8.4	5.5
Prepaid income	33.0	12.0	1.3	1.2
Revaluations of available-for-sale financial assets to fair value	3.0	0.7	3.0	0.7
Movement in loan provisions	41.6	34.6	32.1	34.5
Other	8.2	(1.2)	5.9	(13.2)
Deferred tax assets	201.0	212.0	146.5	186.8

INCOME TAX EXPENSE (continued)

	Balance sheet			
	Consolidated		Parent	
	2010	2009	2010	2009
	$m	$m	$m	$m
Income Tax Payable				
Tax payable/(receivable) attributable to members of the tax consolidated group	59.9	(84.4)	59.9	(84.4)
Tax payable/(receivable) attributable to subsidiaries who are not members of the tax consolidated group	13.2	-	-	-
	73.1	(84.4)	59.9	(84.4)

At 30 June 2010, there is no unrecognised deferred income tax liability (2009: 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 liabilities to the wholly-owned subsidiaries should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote. The head entity of the tax consolidated group is Bendigo and Adelaide Bank Limited.

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.

Taxation of Financial Arrangements

The tax laws amendment (Taxation of Financial Arrangements) Act 2009 (TOFA legislation) was enacted during the year ended 30 June 2009. 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 accounting 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 in certain circumstances 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 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 to be returned over four tax years).

The Australian Taxation Office is still clarifying the application of TOFA through the release of Fact Sheets and further legislation is expected that will help determine the overall impact TOFA will have on Bendigo and Adelaide Bank Limited. As a result, Bendigo and Adelaide Bank Limited continues to assess the potential affect of TOFA legislation and whether Bendigo and Adelaide Bank Limited 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 2010

	Footnote	Average Balance $m	Interest 12 mths $m	Average Rate %
Average balances and rates	1			
Interest earning assets				
Cash and investments		5,859.5	219.4	3.74
Loans and other receivables - company		35,172.0	2,193.6	6.24
Loans and other receivables - alliances		6,401.5	373.1	5.83
Total interest earning assets	2	47,433.0	2,786.1	5.87
Non interest earning assets				
Provisions for doubtful debts		(118.9)		
Other assets		2,871.3		
		2,752.4		
Total assets (average balance)		50,185.4		
Interest bearing liabilities				
Deposits				
Retail - company		22,203.6	873.6	3.93
Retail - alliances		9,319.9	413.5	4.44
Wholesale - domestic		3,020.0	199.3	6.60
Wholesale - offshore		609.5	25.0	4.10
Notes payable		9,388.5	383.7	4.09
Reset preference shares		89.5	5.4	6.03
Subordinated debt		584.5	31.0	5.30
Total interest bearing liabilities	2	45,215.5	1,931.5	4.27
Non interest bearing liabilities and equity				
Other liabilities		1,330.5		
Equity		3,639.4		
		4,969.9		
Total liabilities and equity (average balance)		50,185.4		
Interest margin and interest spread				
Interest earning assets		47,433.0	2,786.1	5.87
Interest bearing liabilities		(45,215.5)	(1,931.5)	(4.27)
Net interest income and interest spread	3		854.6	1.60
Net free liabilities				0.20
Net interest margin	4			1.80
Impact of community bank/alliances profit share arrangements				
Net interest margin before community bank/alliances share of net interest income				2.09
Less impact of community bank/alliances share of net interest income				0.29
Net interest margin				1.80

1 Average balance is based on monthly closing balances from 30 June 2009 through 30 June 2010 inclusive.

2 Interest payments to alliance partners are net values in the Income Statement. Interest income and expense values have been increased by $73.9m to reflect the gross amounts.

3 Interest spread is the difference between the average interest rate earned on assets and the average interest rate paid on funds.

4 Interest margin is the net interest income as a percentage of average interest earning assets.

AVERAGE BALANCE SHEET AND RELATED INTEREST (continued)

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 (average balance)		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.

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 2009/10 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.

CAPITAL MANAGEMENT (continued)

b. Capital adequacy

	Consolidated	
	As at June 2010 $m	As at June 2009 $m
Risk weighted capital ratios		
Tier 1	8.55%	7.43%
Tier 2	2.60%	3.48%
Total capital ratio	11.15%	10.91%
Qualifying capital		
Tier 1		
Contributed capital	3,361.7	3,003.9
Retained profits & reserves	22.3	(260.4)
Minority interests	145.7	126.6
Innovative tier 1 capital	277.9	277.9
Less,		
Intangible assets, cash flow hedges and capitalised expenses	1,619.5	1,321.4
Net deferred tax assets	-	11.5
50/50 deductions	18.2	19.6
Other adjustments as per APRA advice	1.3	1.8
Total tier 1 capital	2,168.6	1,793.7
Tier 2		
General reserve for credit losses/collective provision (net of tax effect)	128.5	129.5
Subordinated debt	534.4	722.1
Asset revaluation reserves	13.2	8.7
	676.1	860.3
Less,		
50/50 deductions	18.1	19.6
Other adjustments as per APRA advice	-	-
Subsidiary investment residual	-	-
Total tier 2 capital	658.0	840.7
Less,		
Investments in non-consolidated subsidiaries or joint ventures and other bank's capital instruments	-	-
Total qualifying capital	2,826.6	2,634.4
Total risk weighted assets	**25,347.3**	**24,155.0**

CAPITAL MANAGEMENT (continued)

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

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

	Consolidated	
	As at June 2010 $m	As at June 2009 $m
Shareholders' equity	3,459.0	3,091.5
Minority interest equity	145.7	126.6
Retained earnings	234.5	123.8
Expected dividends	(106.1)	(45.1)
Goodwill and intangible assets	(1,641.6)	(1,598.9)
Other deductions	(1.3)	(1.8)
	2,090.2	1,696.1
Adjusted Common Equity ratio to risk weighted assets	8.25%	7.02%
Investments in joint ventures equity accounted for	(7.2)	(3.2)
Hybrid capital	277.9	278.0
Subsidiary investment residual	(8.9)	(9.0)
Adjusted total equity	2,352.0	1,961.9
Adjusted Total Equity ratio to risk weighted assets	9.28%	8.12%

9. EARNINGS PER ORDINARY SHARE

	Consolidated	
	2010 Cents per share	2009 Cents per share
Basic earnings per ordinary share	67.4	25.4
Diluted earnings per ordinary share	62.9	25.4
Cash basis earnings per ordinary share	83.3	62.6
	$m	$m
Reconciliation of earnings used in the calculation of basic earnings per ordinary share		
Profit after tax	259.9	83.8
(Profit)/loss attributable to minority interests	(17.3)	-
Dividends paid on preference shares	(3.4)	(4.5)
Dividends paid/accrued on step up preference shares	(3.9)	(5.7)
	235.3	73.6
Reconciliation of earnings used in the calculation of diluted earnings per ordinary share		
Earnings used in calculating basic earnings per ordinary share	235.3	73.6
Add back dividends on dilutive preference shares	11.1	-
	246.4	73.6

EARNINGS PER ORDINARY SHARE (continued)

	Consolidated	
	2010	2009
Reconciliation of earnings used in the calculation of cash basis earnings per ordinary share		
Earnings used in calculating basic earnings per ordinary share	235.3	73.6
After tax intangibles amortisation (excluding software amortisation)	20.9	18.5
After tax significant income and expense items (1)	34.8	89.4
	291.0	181.5

	No. of shares	No. of shares
Weighted average number of ordinary shares used in basic and cash basis earnings per ordinary share	349,242,552	289,778,761
Effect of dilution - executive performance rights	1,538,688	430,151
Effect of dilution - preference shares	41,243,313	-
Weighted average number of ordinary shares used in diluted earnings per ordinary share	392,024,553	290,208,912

(1) Significant income and expense items after tax comprise:	$m	$m
Income		
Ineffectiveness in cash flow hedges	24.7	65.5
Realised accounting gain on equity investments	(19.8)	(18.2)
Expense		
Expenses relating to withdrawn capital raising	-	1.1
Shortfall/(Gain) relating to Employee Share Plan	(1.8)	3.7
Impairment loss - equity investments	-	7.0
Integration costs	24.5	29.0
Fair value adjustment - head office development	-	1.3
Property revaluation decrement	7.2	-
	34.8	89.4

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.

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	
	2010	**2009**
Preference shares	Yes	No
Step up preference shares	Yes	No
Reset preference shares	Yes	No
Executive share options	No	No
Executive performance rights	Yes	Yes

10. DIVIDENDS

	Consolidated		Parent	
	2010	2009	2010	2009
	$m	$m	$m	$m
Dividends paid or proposed				
Ordinary shares				
Dividends paid during the year				
current year				
Interim dividend (28.0 cents per share) (2009 - 28.0 cents per share)	97.5	81.8	97.5	81.8
previous year				
Final dividend (15.0 cents per share) (2009 - 37.0 cents per share)	44.0	98.8	44.0	98.8
	141.5	180.6	141.5	180.6
Dividends proposed since the reporting date, but not recognised as a liability				
Final dividend (30.0 cents per share) (2009: 15.0 cents per share)	106.1	45.1	106.1	45.1
Franked dividends per ordinary shares (cents per share)	58.0	43.0	58.0	43.0

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 2010.

	Consolidated 2010	Consolidated 2009	Parent 2010	Parent 2009
Preference shares				
Dividends paid during the year				
84.60 cents per share paid on 15 September 2009 (2008: 161.60 cents)	0.7	1.5	0.7	1.5
86.47 cents per share paid on 15 December 2009 (2008: 152.98 cents)	0.8	1.4	0.8	1.4
99.25 cents per share paid on 15 March 2010 (2009: 104.89 cents)	0.9	0.9	0.9	0.9
104.63 cents per share paid on 15 June 2010 (2009: 79.12 cents)	1.0	0.7	1.0	0.7
	3.4	4.5	3.4	4.5
Step up preference shares				
Dividends paid during the year				
86.00 cents per share paid on 10 July 2009 (2008: 168.00 cents)	0.9	1.7	0.9	1.7
86.00 cents per share paid on 12 October 2009 (2008: 167.00 cents)	0.9	1.6	0.9	1.6
98.00 cents per share paid on 12 January 2010 (2009: 138.00 cents)	1.0	1.4	1.0	1.4
102.00 cents per share paid on 12 April 2010 (2009: 98.00 cents)	1.1	1.0	1.1	1.0
	3.9	5.7	3.9	5.7
Reset preference shares (recorded as debt instruments)				
Dividends paid during the year:				
310.53 cents per share paid on 2 November 2009 (2008: 309.68)	2.8	2.8	2.8	2.8
305.47 cents per share paid on 3 May 2010 (2009: 305.47)	2.7	2.7	2.7	2.7
	5.5	5.5	5.5	5.5
Convertible preference shares				
Dividends paid during the year				
Nil (2009: 0.0448 cents)	-	0.1	-	0.1
Nil (2009: 0.0867 cents)	-	0.2	-	0.2
Nil (2009: 0.1345 cents)	-	0.1	-	0.1
	-	0.4	-	0.4
Dividend franking account				
Balance of franking account as at end of financial year			151.4	249.4
Franking credits that will arise from the payment of income tax provided for in the financial report			59.9	(84.4)
Franking credits that will arise from the receipt of dividends recognised as receivables as at end financial year			5.1	3.6
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			(46.5)	(19.3)
			169.9	149.3

The tax rate at which dividends have been franked is 30% (2009: 30%).
Dividends proposed will be franked at the rate of 30% (2009: 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:

	Consolidated 2010	Consolidated 2009	Parent 2010	Parent 2009
Paid in cash	119.6	142.3	99.5	142.3
Satisfied by issue of shares	49.4	48.9	49.4	48.9
	169.0	191.2	148.9	191.2

DIVIDENDS (continued)

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

Bonus Share Scheme

The Bonus Share Scheme provides shareholders with the opportunity to elect to receive a number of bonus shares issued for no consideration instead of receiving a dividend. The issue price of the shares is equal to the volume weighted average price of Bendigo and Adelaide Bank shares traded on the Australian Securities Exchange over the ten trading days following the record date. 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 2010 final dividend was 2 September 2010.

11. RETURN ON AVERAGE ORDINARY EQUITY

	Consolidated	
	2010	2009
	%	%
Return on average ordinary equity	6.79	2.37
Pre-significant items return on average ordinary equity	7.80	5.22
Cash basis return on average ordinary equity	8.40	5.82
	$m	$m
Reconciliation of earnings used in the calculation of return on average ordinary equity		
Net profit for the year	259.9	83.8
(Profit)/loss attributable to minority interests	(17.3)	-
Dividends paid on preference shares	(3.4)	(4.5)
Dividends paid/accrued on step up preference shares	(3.9)	(5.0)
Earnings used in calculation of return on average ordinary equity	235.3	74.3
After tax significant income and expense items	34.8	89.4
Earnings used in calculation of pre-significant items return on average ordinary equity	270.1	163.7
After tax intangibles amortisation (excluding amortisation of intangible software)	20.9	18.5
Earnings used in calculation of cash basis return on average ordinary equity	291.0	182.2

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

	2010	2009
Total equity	3,880.4	3,118.7
Preference share net capital	(188.5)	(188.5)
Asset revaluation reserve - shares	(27.5)	(5.5)
Unrealised gains/losses on cash flow hedge reserve	178.6	303.7
Non-controlling interest	(145.7)	-
Ordinary equity	3,697.3	3,228.4
Average ordinary equity	3,462.9	3,133.6

The above calculation uses a basic average balance calculation, consistent with previous years.

12. NET TANGIBLE ASSETS PER ORDINARY SHARE

	Consolidated 2010	Consolidated 2009
	$	$
Net tangible assets per ordinary share	5.27	4.31

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

	$m	$m
Net assets	3,880.4	3,118.7
Intangibles	(1,641.6)	(1,598.9)
Preference shares - face value	(90.0)	(90.0)
Step up preference shares - face value	(100.0)	(100.0)
Non-controlling interest	(145.7)	-
Net tangible assets	1,903.1	1,329.8
Number of ordinary shares on issue at reporting date	361,366,745	308,243,636

13. CASH FLOW STATEMENT RECONCILIATION

	Consolidated		Parent	
	2010	2009	2010	2009
	$m	$m	$m	$m
Profit after tax	259.9	83.8	244.1	113.6
Non-cash items				
Doubtful debts expense	50.9	86.2	40.0	63.7
Amortisation	38.2	32.7	31.4	20.8
Depreciation	18.4	18.4	17.3	15.7
Revaluation (increments)/decrements	(0.2)	(9.0)	3.3	(0.7)
Equity settled transactions	7.8	11.9	7.8	11.9
Share of joint ventures' net profits	(12.7)	(30.9)	-	-
Dividends received/(accrued) from joint ventures	11.0	32.8	-	-
Profits on sale of investment securities	(19.9)	(26.0)	(0.3)	(25.9)
Ineffectiveness in cashflow hedges	33.9	93.6	37.4	36.4
Changes in assets and liabilities				
Increase/(decrease) in tax provision	157.5	(95.5)	144.3	(95.5)
Increase/(decrease) in deferred tax assets & liabilities	40.0	(142.7)	74.7	(45.8)
(Increase)/decrease in derivatives	(131.2)	626.8	(272.0)	316.4
(Increase)/decrease in accrued interest	(79.4)	5.6	(8.1)	32.1
Increase in accrued employees entitlements	17.9	(3.2)	13.7	(2.8)
Increase/(decrease) in other accruals, receivables and provisions	(44.1)	(557.2)	(85.2)	(577.1)
Net cash flows from/(used in) operating activities	348.0	127.3	248.4	(137.2)

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	
	2010	2009	2010	2009
	$m	$m	$m	$m
Notes, coin and cash at bank	371.4	351.0	225.9	150.2
Investments at call	389.1	561.6	389.1	377.3
	760.5	912.6	615.0	527.5
Reconciliation of cash and cash equivalents				
For the purposes of the cash flow statement, cash and cash equivalents includes:				
Cash and cash equivalents	760.5	912.6	615.0	527.5
Due from other financial institutions	279.7	235.4	279.0	235.4
Due to other financial institutions	(195.5)	(196.3)	(194.3)	(196.3)
	844.7	951.7	699.7	566.6

15. FINANCIAL ASSETS HELD FOR TRADING

	Consolidated		Parent	
	2010	2009	2010	2009
	$m	$m	$m	$m
Bank discount securities	174.8	26.0	174.8	26.0
Other discount securities	2,369.3	3,020.1	2,370.4	4,751.1
Floating rate notes	841.6	599.5	841.6	599.5
Government securities	599.5	236.7	599.5	236.7
	3,985.2	3,882.3	3,986.3	5,613.3
Maturity analysis				
Not longer than 3 months	2,105.1	2,796.4	2,105.1	4,153.3
Longer than 3 and not longer than 12 months	1,274.2	798.1	1,274.2	798.1
Longer than 1 and not longer than 5 years	605.9	287.8	605.9	340.4
Over 5 years	-	-	1.1	321.5
	3,985.2	3,882.3	3,986.3	5,613.3

16. FINANCIAL ASSETS AVAILABLE FOR SALE – DEBT SECURITIES

	Consolidated		Parent	
	2010	2009	2010	2009
	$m	$m	$m	$m
Negotiable securities				
Negotiable certificates of deposit	130.2	-	-	-
Government securities	97.8	-	97.8	-
Bank accepted bills of exchange	4.9	-	-	-
Floating rate notes	28.6	-	28.6	-
Notes to securitisations	-	-	1,912.9	-
	261.5	-	2,039.3	-
Maturity analysis				
Not longer than 3 months	135.2	-	-	-
Longer than 3 and not longer than 12 months	16.8	-	16.8	-
Longer than 1 and not longer than 5 years	109.5	-	109.5	-
Over 5 years	-	-	1,913.0	-
	261.5	-	2,039.3	-
Recognised gains / (losses) before tax:				
Gain/(loss) recognised directly in equity	0.3	-	0.2	-
Amount removed from equity and recognised in profit/(loss)	-	-	-	-

17. FINANCIAL ASSETS AVAILABLE FOR SALE – EQUITY INVESTMENTS

	Consolidated		Parent	
	2010	2009	2010	2009
	$m	$m	$m	$m
Share investments at fair value				
Listed share investments	109.5	81.2	0.8	3.0
Unlisted share investments	2.2	2.9	2.2	2.9
	111.7	84.1	3.0	5.9

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.

	Consolidated		Parent	
	2010	2009	2010	2009
Recognised gains / (losses) before tax:				
Gain/(loss) recognised directly in equity	31.6	(34.3)	(1.1)	(36.8)
Amount removed from equity and recognised in (profit)/loss	-	20.0	0.2	19.9

18. FINANCIAL ASSETS HELD TO MATURITY

	Consolidated		Parent	
	2010	2009	2010	2009
	$m	$m	$m	$m
Negotiable securities				
Bank accepted bills of exchange	-	1.8	-	-
Negotiable certificates of deposit	249.1	28.4	-	-
Other	198.7	301.7	96.1	266.4
	447.8	331.9	96.1	266.4
Non negotiable securities				
Deposits - banks	20.4	-	-	-
Deposits - other	13.3	13.0	-	-
Other	1.3	-	1.3	-
	35.0	13.0	1.3	-
	482.8	344.9	97.4	266.4
Maturity analysis				
Not longer than 3 months	316.8	135.6	10.0	85.5
Longer than 3 and not longer than 12 months	65.8	100.9	40.3	85.5
Longer than 1 and not longer than 5 years	98.4	108.4	45.3	95.4
Over 5 years	1.8	-	1.8	-
	482.8	344.9	97.4	266.4

19. LOANS AND OTHER RECEIVABLES

	Consolidated		Parent	
	2010	2009	2010	2009
	$m	$m	$m	$m
Loans and other receivables - investments	541.0	505.7	541.0	505.7
Overdrafts	3,498.5	3,283.7	3,497.0	3,282.8
Credit cards	213.2	184.1	213.2	184.1
Term loans	35,068.3	30,655.3	31,360.0	30,383.4
Margin lending	3,627.0	3,329.9	-	-
Lease receivables	575.5	582.3	572.1	578.5
Factoring receivables	48.5	38.5	48.5	38.5
Other	127.3	343.4	100.8	334.1
Gross loans and other receivables	43,158.3	38,417.2	35,791.6	34,801.4
Specific provision for impairment (Note 20)	(79.1)	(67.7)	(51.7)	(58.6)
Collective provision for impairment (Note 20)	(47.1)	(44.3)	(43.1)	(44.0)
Unearned income	(95.5)	(89.6)	(79.5)	(87.2)
	(221.7)	(201.6)	(174.3)	(189.8)
Deferred Costs	44.2	19.6	19.3	(13.2)
Net loans and other receivables	42,980.8	38,235.2	35,636.6	34,598.4
Impaired loans				
Loans - without provisions	83.5	79.4	64.3	79.3
- with provisions	174.0	144.2	99.8	128.3
Restructured Loans	24.7	7.4	24.7	7.4
less specific impairment provisions	(78.3)	(66.9)	(50.9)	(57.8)
Net impaired loans	203.9	164.1	137.9	157.2
Net impaired loans % of loans and other receivables	0.47%	0.42%	0.39%	0.45%
Portfolios facilities - past due 90 days, not well secured	15.3	4.1	4.3	4.1
less impairment provisions	(0.8)	(0.8)	(0.9)	(0.8)
Net portfolio facilities	14.5	3.3	3.4	3.3
Loans past due 90 days				
Accruing loans past due 90 days, with adequate security balance	546.8	340.7	477.7	339.3
Amount in arrears	103.3	61.0	18.9	61.0

Accruing loans past due 90 days balance includes $7.6 million (2008: $18.2 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	89.3	52.8	89.0	52.8
Interest income recognised				
Interest income recognised in respect of impaired loans	1.3	0.2	0.7	0.2
Interest income forgone in respect of impaired loans	16.4	5.4	2.0	1.3

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	8,374.3	6,613.7	3,990.2	3,282.8
Not longer than 3 months	1,380.2	4,274.5	1,376.4	3,360.4
Longer than 3 and not longer than 12 months	2,885.4	1,810.4	2,288.6	1,811.3
Longer than 1 and not longer than 5 years	15,488.2	6,000.3	13,219.5	6,096.0
Longer than 5 years	15,571.2	20,224.0	15,457.9	20,756.6
	43,699.3	38,922.9	36,332.6	35,307.1

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 $11,918.7 million (2009: $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	
	2010	2009	2010	2009
	$m	$m	$m	$m
Specific provision for impairment				
Opening balance	67.7	22.1	58.6	9.5
Provision acquired in business combination	10.3	-	-	-
Charged to income statement	46.3	57.5	36.2	42.0
Transfer of Adelaide business	-	-	-	15.5
Impaired debts written-off applied to specific impairment provision	(45.2)	(11.9)	(43.1)	(8.4)
Closing balance	79.1	67.7	51.7	58.6
Collective provision for impairment				
Opening balance	44.3	36.8	44.0	10.0
Provision acquired in business combination	2.9	-	-	-
Charged to income statement	(0.1)	7.5	(0.9)	7.6
Transfer of Adelaide business	-	-	-	26.4
Closing balance	47.1	44.3	43.1	44.0
General reserve for credit losses				
Opening balance	86.1	76.2	86.1	46.2
Provision acquired in business combination	-	-	-	-
Transfer of Adelaide business	-	-	-	30.0
Charged to equity	18.6	9.9	0.1	9.9
Closing balance	104.7	86.1	86.2	86.1
Bad and doubtful debts expense				
Specific provisions for impairment	46.3	57.5	36.2	42.0
Collective provision	(0.1)	7.5	(0.9)	7.6
Bad debts written off	4.7	21.2	4.7	14.1
Bad debts recovered	(6.2)	(5.9)	(6.0)	(4.0)
	44.7	80.3	34.0	59.7
Ratios				
Specific provision as % of gross loans less unearned income	0.18%	0.18%		
Collective provision (net of tax) & General reserve for credit losses as a % of risk-weighted assets	0.54%	0.54%		

21. PARTICULARS IN RELATION TO CONTROLLED ENTITIES

	Principal Activities
Chief entity	
Bendigo and Adelaide Bank Limited	Banking
Directly Controlled Operating Entities	
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
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
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
Homesafe Trust	Trust manager
National Mortgage Market Corporation Pty Ltd	Mortgage origination & management
Rural Bank Limited	Banking
Sandhurst Trustees Ltd	Trustee company
Tasmanian Banking Services Pty Ltd	Financial services
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
Series 2005-1AAA Torrens Trust	Securitisation
Lighthouse Warehouse Trust No 2	Securitisation
Lighthouse Warehouse Trust No 1	Securitisation
Lighthouse Warehouse Trust No 8	Securitisation
Lighthouse Warehouse Trust No 11	Securitisation
Lighthouse Warehouse Trust No 12	Securitisation
Lighthouse Warehouse Trust No 14	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
Torrens Series 2009-2(W) Trust	Securitisation
Torrens Series 2009-3 Trust	Securitisation
Torrens Series 2010-1 Trust	Securitisation

1 Non-Operating controlled entities are excluded from the above list.

2 All entities are 100% owned and incorporated in Australia. Exception: Rural bank 60% ownership.

22. INVESTMENTS IN JOINT VENTURES USING THE EQUITY METHOD

Name	Ownership interest held by consolidated entity 2010 %	2009 %	Balance date
Rural Bank Ltd [(1)]	60.0	60.0	30 June
Tasmanian Banking Services Ltd [(2)]	100.0	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 Corporate Financial Services Pty Ltd	50.0	50.0	30 June
Community Telco Australia Pty Ltd	50.0	50.0	30 June
Strategic Payments Services Pty Ltd	47.5	33.3	31 December

(i) Principal activities of joint venture companies

[(1)] Rural Bank Ltd - financial services (consolidated, effective October 2009)
[(2)]Tasmanian Banking Services Ltd - financial services (wholly-owned subsidiary, effective August 2009)
Community Sector Enterprises Pty Ltd - financial services
Homesafe Solutions Pty Ltd - trust manager
Silver Body Corporate Financial Services Pty Ltd - financial services
Community Telco Australia Pty Ltd - telecommunication services
Strategic Payments Services Pty Ltd - payment processing services

All joint venture companies are incorporated in Australia, and have a balance date of 30 June except Strategic Payments Services Pty Ltd which has a balance date of 31 December.

(ii) Share of joint ventures' revenue and profits

	2010 $m	2009 $m
Share of joint ventures':		
- revenue	29.2	99.6
- expense	16.5	68.7
- profit before income tax	12.7	30.9
- income tax expense	3.8	10.3
- profit after income tax	8.9	20.6

	2010 $m	2009 $m
Share of joint ventures' operating profits after income tax:		
- Rural Bank Ltd [(1)]	8.1	22.8
- Tasmanian Banking Services Ltd [(2)]	0.1	0.9
- Community Sector Enterprises Pty Ltd	0.3	(0.3)
- Homesafe Solutions Pty Ltd	(0.1)	(0.5)
- Silver Body Corporate Financial Services Pty Ltd	0.2	0.2
- Community Telco Australia Pty Ltd	(0.5)	(1.2)
- Strategic Payments Services Pty Ltd	0.8	(1.3)
	8.9	20.6

[(1)] *Rural Bank Ltd - equity accounted to 30 September 2009.*
[(2)] *Tasmanian Banking Services Ltd - equity accounted to 31 July 2009.*

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)

	2010 $m	2009 $m
(iii) Carrying amount of investments in joint ventures		
Balance at the beginning of financial year	225.9	185.2
- carrying amount of investment in joint ventures acquired during the year	5.7	66.5
- dividends received from joint ventures	(8.1)	(34.3)
- share of joint ventures' net profits (losses) for the financial year	8.9	20.6
- share of joint ventures' movements in retained earnings for the financial year	-	0.1
- share of joint ventures' movements in reserves for the financial year	5.1	(12.2)
- derecognition of joint ventures upon acquisition	(230.3)	-
Carrying amount of investments in joint ventures at the end of the financial year	7.2	225.9
Represented by:		
Investments at equity accounted amount:		
- Rural Bank Ltd	-	222.7
- Tasmanian Banking Services Ltd	-	2.2
- Community Sector Enterprises Pty Ltd	0.5	0.2
- Silver Body Corporate Financial Services Pty Ltd	0.6	0.5
- Strategic Payment Services Pty Ltd	6.1	0.3
	7.2	225.9

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

Unrecognised losses relating to joint ventures	0.5	0.2

	Total	
	2010	2009
(iv) The consolidated entity's share of the assets and liabilities of joint venture in aggregate		
Assets	7.8	2,147.0
Liabilities	6.1	1,977.0
Net Assets	1.7	170.0
(v) Amount of retained profits of the consolidated entity attributable to joint ventures	59.9	59.1

Subsequent events affecting a joint ventures' profits/losses for the ensuing year (if any) are disclosed in the Events after Balance Sheet Date note 48.

The consolidated entity's share of joint ventures' commitments and contingent liabilities (if any) are disclosed in the Commitments and Contingencies note 45.

23. PROPERTY, PLANT AND EQUIPMENT

	Consolidated		Parent	
	2010	2009	2010	2009
	$m	$m	$m	$m
(a) Carrying Value				
Property				
Freehold land - at fair value [1]	16.6	16.8	6.5	6.5
	16.6	16.8	6.5	6.5
Freehold buildings - at fair value [1]	15.4	22.2	10.7	10.7
Accumulated depreciation	(0.1)	(1.0)	(0.4)	(0.1)
	15.3	21.2	10.3	10.6
Leasehold improvements - at cost	65.7	60.7	63.3	60.7
Accumulated depreciation	(27.2)	(20.9)	(26.1)	(20.9)
	38.5	39.8	37.2	39.8
	70.4	77.8	54.0	56.9
Other				
Plant, furniture, fittings, office equipment & vehicles - at cost	174.2	170.2	169.6	167.4
Accumulated depreciation	(141.0)	(132.1)	(138.2)	(130.5)
	33.2	38.1	31.4	36.9
	103.6	115.9	85.4	93.8
(b) Reconciliations				
Freehold land [1]				
Carrying amount at beginning of financial year	16.8	9.3	6.5	0.3
Additions	1.8	7.5	-	-
Revaluations	(2.0)	-	-	-
Transfer to assets	-	-	-	6.2
	16.6	16.8	6.5	6.5
Freehold buildings [1]				
Carrying amount at beginning of financial year	21.2	22.0	10.6	0.2
Revaluations	(5.1)	-	-	-
Depreciation expense	(0.8)	(0.8)	(0.3)	(0.1)
Transfer to assets	-	-	-	10.5
	15.3	21.2	10.3	10.6
Leasehold improvements - at cost				
Carrying amount at beginning of financial year	39.8	30.1	39.8	28.3
Additions	3.6	14.3	2.7	14.2
Additions through acquisition of entities	0.5	-	-	-
Disposals	-	(0.3)	-	(0.3)
Depreciation expense	(5.4)	(4.3)	(5.3)	(4.1)
Transfer to assets	-	-	-	1.7
	38.5	39.8	37.2	39.8
Plant, furniture, fittings, office equipment & vehicles				
Carrying amount at beginning of financial year	38.1	52.1	36.9	37.9
Additions	8.0	3.4	7.3	2.7
Additions through acquisition of entities	0.6	-	-	-
Disposals	(1.2)	(4.1)	(1.1)	(0.7)
Depreciation expense	(12.3)	(13.3)	(11.7)	(11.6)
Transfer to assets	-	-	-	8.6
	33.2	38.1	31.4	36.9

[1] Freehold land and buildings are carried at fair value based on independent valuations performed in 2010 using a capitalisation rate of 9.0%. Refer note 2.15.

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

Land	17.9	16.1	0.1	0.1
Buildings	21.8	21.8	0.1	0.1
Accumulated depreciation and impairment	(1.7)	(1.1)	-	-
Net carrying amount	38.0	36.8	0.2	0.2

24. ASSETS HELD FOR SALE

	Consolidated		Parent	
	2010	2009	2010	2009
	$m	$m	$m	$m
Carrying amount at beginning of financial year	-	105.5	-	3.2
Additions	-	6.9	-	-
Fair value adjustment	-	(5.3)	-	(3.2)
Disposals	-	(107.1)	-	-
	-	-	-	-

In accordance with Accounting Standard AASB 5: "Non-current Assets Held for Sale and Discontinued Operations", the carrying value of the 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	
	2010	2009	2010	2009
	$m	$m	$m	$m
Carrying amount at beginning of financial year	115.6	80.4	-	-
Additions	33.0	26.3	-	-
Net gain from fair value adjustments	10.3	8.9	-	-
	158.9	115.6	-	-

Investment properties are carried at fair value, which has been determined in accordance with directors' valuations and have not been independently valued.

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	
	2010	2009	2010	2009
	$m	$m	$m	$m
(a) Carrying value				
Intangible assets				
Customer list - at cost	4.7	4.7	0.1	0.1
Accumulated amortisation	(4.7)	(4.5)	(0.1)	-
	-	0.2	-	0.1
Computer software - at cost	61.1	69.3	50.4	68.8
Accumulated amortisation	(36.0)	(40.6)	(27.1)	(40.1)
	25.1	28.7	23.3	28.7
Trustee licence - at cost	8.4	8.4	-	-
Accumulated impairment	-	-	-	-
	8.4	8.4	-	-
Computer Software (Adelaide) - at fair value	1.3	1.3	1.3	0.7
Accumulated amortisation	(1.2)	(0.8)	(1.2)	(0.2)
	0.1	0.5	0.1	0.5
Trade Name - at fair value	27.6	24.7	24.7	20.5
Accumulated amortisation	(11.3)	(6.7)	(11.0)	(2.5)
	16.3	18.0	13.7	18.0
Customer Relationship - at fair value	72.0	29.3	29.3	25.7
Accumulated amortisation	(13.5)	(5.7)	(9.2)	(2.1)
	58.5	23.6	20.1	23.6
Management rights - at fair value	15.3	15.3	15.3	14.3
Accumulated amortisation	(2.6)	(1.6)	(2.6)	(0.6)
	12.7	13.7	12.7	13.7
Core Deposits - at fair value	116.3	98.7	98.7	82.3
Accumulated amortisation	(41.9)	(25.9)	(40.1)	(9.5)
	74.4	72.8	58.6	72.8
Goodwill				
Purchased goodwill	1,448.6	1,437.0	1,353.1	1,319.3
Accumulated impairment	(2.5)	(4.0)	-	-
	1,446.1	1,433.0	1,353.1	1,319.3
Total intangible assets and goodwill	1,641.6	1,598.9	1,481.6	1,476.7

INTANGIBLE ASSETS AND GOODWILL (continued)

	Consolidated		Parent	
	2010	2009	2010	2009
	$m	$m	$m	$m
(b) Reconciliations				
Intangible assets				
Customer list				
Carrying amount at beginning of financial year	0.2	0.7	0.1	-
Additions/fair value adjustment	-	-	-	0.1
Amortisation charge	(0.2)	(0.5)	(0.1)	-
	-	0.2	-	0.1
Computer software				
Carrying amount at beginning of financial year	28.7	21.8	28.7	18.8
Addition acquired through business combination	1.9	1.6	-	1.6
Additions	3.1	10.7	2.9	13.9
Disposals	(0.4)	-	(0.4)	-
Amortisation charge	(8.2)	(5.4)	(7.9)	(5.6)
	25.1	28.7	23.3	28.7
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	0.5	0.9	0.5	-
Addition acquired through business combination	-	-	-	0.7
Amortisation Charge	(0.4)	(0.4)	(0.4)	(0.2)
	0.1	0.5	0.1	0.5
Trade Name				
Carrying amount at beginning of financial year	18.0	22.2	18.0	-
Addition acquired through business combination	2.9	-	-	20.5
Amortisation Charge	(4.6)	(4.2)	(4.3)	(2.5)
	16.3	18.0	13.7	18.0
Customer Relationship				
Carrying amount at beginning of financial year	23.6	27.2	23.6	-
Addition acquired through business combination	42.7	-	-	25.7
Amortisation Charge	(7.8)	(3.6)	(3.5)	(2.1)
	58.5	23.6	20.1	23.6
Management Rights				
Carrying amount at beginning of financial year	13.7	14.7	13.7	-
Addition acquired through business combination	-	-	-	14.3
Amortisation Charge	(1.0)	(1.0)	(1.0)	(0.6)
	12.7	13.7	12.7	13.7
Core Deposits				
Carrying amount at beginning of financial year	72.8	89.2	72.8	-
Addition acquired through business combination	17.6	-	-	82.3
Amortisation Charge	(16.0)	(16.4)	(14.2)	(9.5)
	74.4	72.8	58.6	72.8
Goodwill				
Purchased goodwill				
Carrying amount at beginning of financial year	1,433.0	1,385.3	1,319.3	34.6
Additions/transfer from goodwill on consolidation	18.1	1,373.1	33.8	1,284.7
Addition acquired through business combination/(purchase price adjustment)	16.8	1.4	-	-
Transfer to purchased goodwill	(8.1)	(1,326.8)	-	-
Writeback of goodwill on business deregistration	(13.7)	-	-	-
	1,446.1	1,433.0	1,353.1	1,319.3
Total intangible assets and goodwill	1,641.6	1,598.9	1,481.6	1,476.7

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 combinations with Adelaide Bank Limited and Rural 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 and trustee licence have been assessed as having finite lives in the ranges as follows:

Category	Useful Life
Core Deposit	2 – 10 years
Trade name	5 – 15 years
Customer Relationship	7 – 12 years
Management Rights	15 years
Software	1-7 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 2010/2011 (adjusted for non-recurring items) by 12. The multiple of 12 is considered appropriate for each of the Group's 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 11.46%. 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. 11.46% 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 for the 2010/11 year and is based on the budget approved by the Board:

CGU	2011/12	2012/13	2013/14	2014/15	Long term growth rate
Retail	12.5%	12.5%	10.0%	10.0%	3.0%

For the 2010/11 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 any of the CGU's as at 30 June 2010.

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
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
The provision of residential home loans, distributed through mortgage brokers, mortgage managers, mortgage originators and alliance partners.

Wealth
The provision of financial planning services and margin lending activities. Commissions are received as the responsible entity for managed investment schemes and for corporate trusteeships and other trustee and custodial services.

Rural Bank
The provision of banking services to agribusiness, rural and regional Australian communities.

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	Value in use	656.4	18.9	Profit growth lower by 1.5%
Third Party	Fair value	461.5	76.1	Earnings multiple lower by 3
Wealth	Fair value	311.4	49.3	Earnings multiple lower by 3
Rural Bank	Fair value	16.8	51.2	Earnings multiple lower by 4
	Total	**1,446.1**	**195.5**	

28. OTHER ASSETS

	Consolidated		Parent	
	2010	2009	2010	2009
	$m	$m	$m	$m
Shares in joint ventures [1]	-	-	15.6	229.2
Accrued income	14.1	22.6	22.6	28.6
Prepayments	21.7	38.8	15.3	15.8
Sundry debtors	391.5	334.2	266.7	273.6
Accrued interest	190.9	116.7	140.6	113.2
	618.2	512.3	460.8	660.4

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 information regarding joint ventures.

29. DEPOSITS

	Consolidated		Parent	
	2010	2009	2010	2009
	$m	$m	$m	$m
DEPOSITS				
Retail				
Branch network	29,957.8	26,505.0	27,494.9	26,447.4
Treasury sourced	3,740.4	2,031.4	2,704.9	2,103.3
	33,698.2	28,536.4	30,199.8	28,550.7
Wholesale				
Domestic	3,139.7	2,652.6	3,066.1	2,652.6
Offshore	238.3	690.8	238.3	690.8
	3,378.0	3,343.4	3,304.4	3,343.4
	37,076.2	31,879.8	33,504.2	31,894.1
Deposits by geographic location				
Victoria	14,093.5	13,298.7	13,364.4	13,289.9
New South Wales	6,324.1	4,422.8	5,297.8	4,422.5
Australian Capital Territory	509.3	229.1	406.0	229.5
Queensland	4,153.8	3,738.5	3,658.2	3,733.6
South Australia/Northern Territory	8,783.7	7,172.9	8,107.6	7,196.0
Western Australia	2,113.2	1,552.8	1,650.7	1,555.6
Tasmania	652.7	565.9	579.2	566.9
Overseas	445.9	899.1	440.3	900.1
	37,076.2	31,879.8	33,504.2	31,894.1
NOTES PAYABLE	9,042.8	9,974.5	1,156.4	2,102.4

30. OTHER PAYABLES

	Consolidated		Parent	
	2010	2009	2010	2009
	$m	$m	$m	$m
Sundry creditors	6.4	12.9	145.9	78.8
Accrued expenses and outstanding claims	341.4	299.0	369.0	549.6
Accrued interest	356.9	290.4	305.9	274.9
Prepaid interest	72.6	63.6	-	-
	777.3	665.9	820.8	903.3

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	
	2010	2009	2010	2009
	$m	$m	$m	$m
(a) Balances				
Employee benefits (Note 37)	66.2	48.3	62.0	48.3
Employee shares shortfall	4.8	8.1	4.8	8.1
Rewards program	3.8	3.3	3.8	3.3
Property Rent	2.0	2.1	2.0	2.1
Dividends	9.2	0.9	1.2	0.9
Uninsured Losses	3.1	-	3.1	-
	89.1	62.7	76.9	62.7

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.

Provision for uninsured losses represents the expected loss in relation to fraud, not covered under insurance contracts.

	Consolidated		Parent	
	2010	2009	2010	2009
(b) Movements	$m	$m	$m	$m
Employee benefits				
Opening balance	48.3	56.6	48.3	42.6
Provision acquired in business combination	4.6	-	-	-
Additional provisions recognised	41.6	21.1	38.8	(4.9)
Decrease due to change in discount rate	(0.2)	(0.8)	(0.2)	(0.8)
Amounts utilised during the year	(28.1)	(28.6)	(24.9)	11.4
Closing balance	66.2	48.3	62.0	48.3
Employee shares shortfall				
Opening balance	8.1	3.0	8.1	3.0
Additional provisions recognised	(2.6)	5.1	(2.6)	5.1
Amounts utilised during the year	(0.7)	-	(0.7)	-
Closing balance	4.8	8.1	4.8	8.1
Rewards program				
Opening balance	3.3	3.5	3.3	3.5
Additional provisions recognised	2.2	1.4	2.2	1.4
Amounts utilised during the year	(1.7)	(1.6)	(1.7)	(1.6)
Closing balance	3.8	3.3	3.8	3.3
Property Rent				
Opening balance	2.1	2.1	2.1	2.1
Amounts utilised during the year	(0.1)	-	(0.1)	-
Closing balance	2.0	2.1	2.0	2.1
Dividends				
Opening balance	0.9	2.5	0.9	1.5
Provision acquired in business combination	10.2	-	-	-
Additional dividends provided	167.1	190.4	149.2	190.5
Dividends paid during the year	(169.0)	(192.0)	(148.9)	(191.1)
Closing balance	9.2	0.9	1.2	0.9
Uninsured Losses				
Opening balance	-	-	-	-
Additional provisions recognised	3.1	-	3.1	-
Closing balance	3.1	-	3.1	-

32. RESET PREFERENCE SHARES

	Consolidated		Parent	
	2010	2009	2010	2009
	$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	
	2010	2009	2010	2009
	$m	$m	$m	$m
Subordinated capital notes	532.9	598.7	393.7	598.7
Maturity analysis				
Not longer than 3 months	96.1	94.7	65.3	94.7
Longer than 3 and not longer than 12 months	81.9	141.0	54.7	141.0
Longer than 1 and not longer than 5 years	269.9	288.0	198.7	288.0
Over 5 years	85.0	75.0	75.0	75.0
	532.9	598.7	393.7	598.7

34. ISSUED CAPITAL

	Consolidated		Parent	
	2010	2009	2010	2009
	$m	$m	$m	$m
Issued and paid up capital				
Ordinary shares fully paid - 361,366,745 (2009: 308,243,636)	3,361.7	3,003.9	3,361.7	3,003.9
Preference shares of $100 face value fully paid - 900,000 (2009: 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 (2009: 1,000,000)	100.0	100.0	100.0	100.0
Employee share ownership plan shares	(27.7)	(32.7)	(27.7)	(32.7)
	3,522.5	3,159.7	3,522.5	3,159.7

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	
	2010	2009	2010	2009
	$m	$m	$m	$m
Movement in ordinary shares on issue				
Opening balance 1 July - 308,243,636 (2009: 274,678,383)	3,003.9	2,706.3	3,003.9	2,706.3
Shares issued under:				
Bonus share scheme - 304,421 @ $7.95; 256,532 @ $9.59 (2009: 262,362 @ $11.01; 329,948 @ $6.13)	-	-	-	-
Dividend reinvestment plan - 1,607,958 @ $7.95; 3,818,849 @ $9.59 (2009: 2,472,153 @ $11.01; 3,538,902 @ $6.13)	49.4	48.9	49.4	48.9
Issue to Tasmanian Banking Services Limited shareholders - 781,910 @ $6.39 (2009: Nil)	5.0	-	5.0	-
Institutional placement and entitlement offer - 26,618,172 @ $6.75 (2009: Nil)	179.7	-	179.7	-
Retail entitlement offer - 17,854,868 @ $6.75 (2009: Nil)	120.5	-	120.5	-
Employee share plan - 340,039 @$10.03 (2009: 762,104 @ $10.78)	3.4	8.2	3.4	8.2
Preference share conversions - Nil (2009: 2,130,339 @ 9.39; 3,343,355 @ $5.98; 1,656,461 @ $7.24) [1]	-	52.0	-	52.0
Share Placement and Share purchase plan - Nil (2009: 19,067,229 @ $10)	-	190.7	-	190.7
Executive performance share plan - 1,540,360 @ $6.56 (2009: Nil)	10.1	-	10.1	-
Share issue costs	(10.3)	(2.2)	(10.3)	(2.2)
Closing balance 30 June - 361,366,745 (2009: 308,243,636)	3,361.7	3,003.9	3,361.7	3,003.9

[1] 2009: *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 year at an issue price of $10.91. The TCS were mandatorily converted to 7,130,155 ordinary shares within the financial year.*

Movements in preference shares on issue				
Opening balance 1 July - 900,000 fully paid (2009: 900,000 fully paid)	88.5	88.5	88.5	88.5
Closing balance 30 June - 900,000 fully paid to $100 (2009: 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 (2009: 1,000,000)	100.0	100.0	100.0	100.0
Closing balance 30 June - 1,000,000 fully paid to $100 (2009: 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 - Nil (2009: 4,766,270)	-	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	(32.7)	(37.4)	(32.7)	(37.4)
Reduction in Employee share ownership plan shares	5.0	4.7	5.0	4.7
Closing balance 30 June	(27.7)	(32.7)	(27.7)	(32.7)
Total issued and paid up capital	3,522.5	3,159.7	3,522.5	3,159.7

35. RETAINED EARNINGS AND RESERVES

	Consolidated		Parent	
RETAINED EARNINGS	2010	2009	2010	2009
	$m	$m	$m	$m
Movements				
Opening balance 1 July	144.3	269.9	143.4	246.1
Profit for the year	242.6	83.8	244.1	113.6
Transfer from asset revaluation reserve	1.5	-	-	-
Movements in general reserve for credit losses	(18.6)	(11.7)	(0.1)	(39.9)
Dividends	(148.9)	(190.4)	(148.8)	(190.9)
Establishment of Rural Bank GRCL on acquisition	11.1	-	-	-
Defined benefits actuarial adjustment	2.8	(6.6)	2.8	(2.4)
Tax effect of defined benefits actuarial adjustment	(0.3)	(0.3)	(0.3)	(0.3)
Transfer of business - Adelaide Bank	-	(0.4)	5.5	17.2
Balance 30 June	234.5	144.3	246.6	143.4

OTHER RESERVES

(a) Balances				
Employee benefits reserve	20.3	13.6	17.5	13.6
Asset revaluation reserve - property	3.6	2.1	0.3	0.3
Asset revaluation reserve - available for sale share investments	27.5	5.5	1.7	2.3
Net unrealised gains reserve	0.3	-	0.2	-
Cash flow hedge reserve	(178.7)	(295.4)	(76.4)	(261.8)
Cash flow hedge reserve - joint ventures	-	(8.3)	-	-
General reserve for credit losses	104.7	86.1	86.2	86.1
General reserve for credit losses - joint ventures	-	11.1	-	-
	(22.3)	(185.3)	29.5	(159.5)

(b) Nature, purpose and movements
Employee benefits reserve
(a) Nature and purpose
The employee benefits reserve is used to record the assessed cost of shares issue to non-executive employees under the Employee Share Plan and the assessed cost of options granted to executive employees under the Executive Incentive Plan.
(b) Movements

Opening balance	13.6	12.4	13.6	12.6
Net increase in reserve	6.7	1.2	3.9	1.0
	20.3	13.6	17.5	13.6

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

Opening balance	2.1	2.1	0.3	0.3
Transfer asset revaluation reserve to retained earnings	(0.9)	-	-	-
Net revaluation increments/(decrements)	4.1	-	-	-
Tax effect of net revaluation increments	(1.7)	-	-	-
	3.6	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

Opening balance	5.5	14.8	2.3	13.6
Transfer asset revaluation reserve to retained earnings (sold assets)	-	19.1	0.2	19.8
Transfer impairment loss to income	-	0.9	-	0.1
Net revaluation increments/(decrements)	31.6	(34.3)	(1.1)	(36.8)
Tax effect of net revaluation increments	(9.6)	5.0	0.3	5.6
	27.5	5.5	1.7	2.3

Net unrealised gains reserve
(a) Nature and purpose
The net unrealised gains reserve is used to record unrealised gains and losses on investments in the available for sale portfolio.
(b) Movements

Opening balance	-	-	-	-
Net unrealised gains/(losses)	0.3	-	0.2	-
	0.3	-	0.2	-

RETAINED EARNINGS AND RESERVES (continued)

OTHER RESERVES (continued)	Consolidated		Parent	
	2010	2009	2010	2009
	$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	(295.4)	51.9	(261.8)	56.4
Changes due to mark to market	132.8	(526.2)	228.5	(436.3)
Changes due to mark to market attributable to non controlling interests	(0.5)	-	-	-
Tax effect of changes due to mark to market	(39.2)	118.2	(68.2)	97.4
Changes due to transfer to the income statement	33.7	86.7	35.8	29.5
Tax effect of changes due to transfer to the income statement	(10.1)	(26.0)	(10.7)	(8.8)
	(178.7)	(295.4)	(76.4)	(261.8)
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	(8.3)	3.9	-	-
Net gains on cash flow hedges	11.9	(12.2)	-	-
Tax effect of gain on cash flow hedges	(3.6)	-	-	-
	-	(8.3)	-	-
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	86.1	76.2	86.1	46.2
Establishment of Rural Bank GRCL on acquisition	18.9	-	-	-
Increase/(decrease) in general reserve for credit losses	(0.3)	9.9	0.1	39.9
	104.7	86.1	86.2	86.1
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	11.1	9.3	-	-
Increase in general reserve for credit losses	(11.1)	1.8	-	-
	-	11.1	-	-
Total reserves	(22.3)	(185.3)	29.5	(159.5)

36. NON-CONTROLLING INTEREST

	Consolidated		Parent	
	2010	2009	2010	2009
	$m	$m	$m	$m
Interest in:				
Ordinary shares	122.7	-	-	-
Reserves	3.3	-	-	-
Retained earnings	19.7	-	-	-
	145.7	-	-	-

37. EMPLOYEE BENEFITS

	Consolidated		Parent	
	2010	2009	2010	2009
	$m	$m	$m	$m
Employee benefits liability				
Provision for annual leave	21.2	17.5	20.0	17.5
Provision for other employee payments	11.2	0.1	9.2	0.1
Provision for long service leave	29.8	26.8	28.8	26.8
Provision for sick leave bonus	4.0	3.9	4.0	3.9
Aggregate employee benefits liability	66.2	48.3	62.0	48.3

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 2010.
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

Salary Sacrifice, Deferred Share and Performance Share Plan (Current)

The Company has established an Employee Salary Sacrifice and Deferred Share Plan ("DSP"). In 2009 the Board approved changes to the Plan rules to enable the Plan to be used as the vehicle for senior executive (including the Managing Director) long term incentive arrangements. The changes provide for grants of Performance Shares to the managing director and other senior executives and to include rules to allow the board to set performance conditions and to determine when those performance conditions have been met and the Performance Shares Vest.

Under the Plan, senior executives were granted performance shares subject to performance conditions set by the Board. If the performance conditions are satisfied during the relevant performance period, the performance shares will vest. The performance conditions and performance periods for grants under the Plan are set out in the 2010 Remuneration Report. Each performance share represents an entitlement to one ordinary share in the company. Accordingly, the maximum number of shares that may be acquired by senior executives is equal to the number of performance shares granted.

Performance shares 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 exercisable performance share. The board has determined that no exercise price will apply to exercisable performance shares.

The number of performance shares granted to the senior executives is based on the value of each performance share. The assessed fair value of each performance share 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 shares. The grants are subject to a dealing restriction. Senior executives are not entitled to sell, transfer or otherwise deal with any shares allocated to them until 2 years after the end of the initial performance period.

The first grant was made under the Plan during the year to senior executives on 11 December 2009. The grant was in accordance with the terms disclosed in the 2010 Remuneration Report and 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 shares issued during the year.

	2010 No.	2010 WAEP
Outstanding at the beginning of the year	-	-
Granted during the year	1,540,360	-
Forfeited during the year	(371,179)	-
Vested / Exercised during the year	(255,918)	-
Expired during the year	-	-
Outstanding at the end of the year	913,263	-

The outstanding balance as at 30 June 2010 is represented by 913,263 performance shares over ordinary shares with an exercise price of nil, each exercisable upon meeting the above conditions, and until 2014. The weighted average fair value of performance shares granted during the year was $7.17 (2009: $nil).

The fair value of the performance shares granted under the Plan takes into account the terms and conditions upon which the performance shares 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 2010.

	2010 Grant
Dividend yield (%)	4.5%
Expected volatility (%)	30%
Risk-free interest rate (%)	4.25% to 5.15%
Expected life of performance shares (years)	5
Exercise price ($) [(1)]	Nil
Fair value share price at grant date ($)	$8.77

The expected life of the performance shares 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.

SHARE BASED PAYMENT PLANS (continued)

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 Managing Director and other senior executives. Under the Plan, senior executives were 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 replaced by the new arrangement involving grants of performance shares under the Employee Salary Sacrifice, Deferred Share and Performance Share Plan for the 2010 financial year as described above.

The performance conditions and performance periods for grants under the Plan are set out in the 2010 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 last grant made under the Plan to senior executives of the group was in 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.

	2010 No.	2010 WAEP	2009 No.	2009 WAEP
Outstanding at the beginning of the year	2,052,199	$12.99	1,034,849	$14.98
Granted during the year	-	-	1,050,601	$11.09
Forfeited during the year	(475,566)	$12.08	(33,251)	$14.96
Vested / Exercised during the year	-	-	-	-
Expired during the year	(537,388)	$14.66	-	-
Outstanding at the end of the year	1,039,245	$12.54	2,052,199	$12.99

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

	2010 No.	2010 WAEP	2009 No.	2009 WAEP
Outstanding at the beginning of the year	430,151	$0.00	294,427	$0.00
Granted during the year	-	-	154,767	$0.00
Forfeited during the year	(98,742)	$0.00	-	-
Vested / Exercised during the year	(46,076)	$0.00	(19,043)	$0.00
Expired during the year	(119,142)	$0.00	-	-
Outstanding at the end of the year	166,191	$0.00	430,151	$0.00

The outstanding balance as at 30 June 2010 is represented by:

- 344,614 performance options over ordinary shares with an exercise price of $15.47 each, 694,631 performance options over ordinary shares with an exercise price of $11.09 each, exercisable upon meeting the above conditions, and until 31 July 2013.
- 166,191 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 nil as the Plan was discontinued and no grants were made under the Plan (2009: $9.30). The weighted average fair value of options granted during the year was nil as the Plan was discontinued and no grants were made under the Plan (2009: $1.37).

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. There was no grant during 2010.

	2010 Grant (Rights & Options)	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 share 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. No other features of shares granted were incorporated into the measurement of fair value.

Employee Share Plan

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 (employee share ownership 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.

Share issues under the Plan are 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 (including the employee share ownership plan) during the year.

	2010 No.	2010 WAEP	2009 No.	2009 WAEP
Outstanding at the beginning of the year	4,879,777	$6.70	5,553,369	$6.73
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	(539,630)	$9.12	(673,592)	$6.99
Expired during the year	-	-	-	-
Outstanding at the end of the year	4,340,147	$6.38	4,879,777	$6.70
Exercisable at the end of the year	4,340,147	$6.38	4,879,777	$6.70

The outstanding balance as at 30 June 2010 is represented by 4,340,147 ordinary shares with a market value at 30 June 2010 of $8.18 each (value: $35,502,402), exercisable upon repayment of the employee loans.

The acquisition price of shares granted during the year was nil as no new shares were issued. There were also no shares issued under the Plan in 2009. The acquisition price for shares issued under the Plan is calculated using 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.

SHARE BASED PAYMENT PLANS (continued)

Current Plans cont'd…

The fair value of the shares granted under the Plan is estimated as at the date of each 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. 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. There have been no grants under the Plan since 2008.

		Consolidated	
		2010	2009
Recognised share-based payment expenses		$m	$m
Expense arising from equity settled share-based payment transactions		7.8	11.9
Total expense arising from share-based payment transactions		7.8	11.9
Employee share and loan values and EPS impact [1]			
Employee Share and Loan Values			
Value of unlisted employee shares on issue at 30 June 2010 - 4,340,147 shares @ $8.18 (2009 - 4,879,777 shares @ $6.93)		35.5	33.8
Value of outstanding employee loans at beginning of year relating to employee shares		32.7	37.4
Value of new loans relating to employee shares issued during year		-	-
Value of repayments of loans during year		(5.0)	(4.7)
Value of outstanding employee loans at end of year relating to employee shares		27.7	32.7
Number of employees with outstanding loan balances		2,525	2,894
Indicative cost of funding employee loans			
Average balance of loans outstanding		29.6	34.4
Average cost of funds		4.27%	5.89%
After tax indicative cost of funding employee loans		0.9	1.4
Earnings per ordinary share - actual	- cents	67.4	25.4
Earnings per ordinary share - adjusted for interest foregone	- cents	67.6	25.9

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% (2009: 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 BASED PAYMENT PLANS (continued)

Current Plans cont'd…

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.

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. The first 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. A second grant to general employees was made in March 2010 with 340,039 fully paid ordinary shares being issued at $10.03, being the volume weighted average price of the Company's shares traded over the 5 days prior to the issue. The share issues were valued and expensed in accordance with applicable accounting requirements. The expense recognised in the income statement in relation to share-based payments is disclosed on the previous page. As at 30 June 2010 there were 1,010,721 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. No shares have been issued under the DSP to date apart from the senior executive performance share grant discussed earlier.

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 terms of the Plan are consistent with the Share Ownership Plan described earlier. The Plan provides staff members with an interest-free loan for the sole purpose of acquiring Plan shares. 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 loan will be repayable progressively out of after tax dividends (if any) paid on the shares and the sale of unexercised renounceable rights (if any). A participant is not otherwise obliged to repay all or part of the outstanding loan while he or she is an employee of the Bendigo and Adelaide Bank Group. The loan must be fully repaid when a participant ends employment and before the participant can sell, transfer, mortgage or otherwise deal with the shares.

Where a participant's employment ends as result of fraud, dishonesty or other serious issues, that participant will not be given the opportunity to repay their loan and retain their shares. They will also lose entitlement to any proceeds from the sale of their shares. If a participant's employment ends and the participant has not repaid the loan within the time period specified by the Board, the Company may sell, transfer or realise the participant's shares and apply those funds to cover the costs of the sale and to repay the loan. If there is a shortfall in repaying the loan once the participant's shares are sold, the Company will not have any further recourse against the participant.

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. Information on shares issued and loans provided under this Plan have been aggregated into the tables provided above under "Employee Share Plan".

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 2010 there were 33,213 shares held by the Plan Trustee with 33,213 shares having vested.

SHARE BASED PAYMENT PLANS (continued)

Discontinued Plans cont'd…

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 2010 - 8,390 shares were held by the Scheme Trustee with 8,390 shares having 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 2010, the Plan Trustee held 64,500 shares under the plan with a market value of $527,610. The aggregate amount of loans outstanding at year end was $18,060.

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	
	2010	2009	2010	2009
	$	$	$	$
Total fees paid or due and payable to Ernst & Young (Australia) [(1)]				
Audit and review of financial statements	1,817,172	2,021,222	1,304,389	1,727,477
Audit-related fees				
Regulatory	214,371	153,900	171,083	153,900
Non-regulatory	7,983	379,796	-	379,796
Total audit-related fees	222,354	533,696	171,083	533,696
All other fees				
Taxation services	986,004	574,414	834,653	538,685
Other advice	243,595	191,600	88,580	191,600
Total other fees	1,229,599	766,014	923,233	730,285
Total remuneration of Ernst & Young Australia	3,269,125	3,320,932	2,398,705	2,991,458

[(1)] *Fees exclude goods and services tax.*

Audit and review of financial statements includes payments for the audit of the financial statements of the Group and Parent, including controlled entities that are required to prepare financial statements.

Audit-related fees (Regulatory) consist of fees for services required by statute or regulation that are reasonably related to the performance of the audit of the Group's financial statements and are traditionally performed by the external auditor. These services include assurance of the Groups compliance with APRA and Australian Financial Services Licensing reporting and compliance requirements.

Audit-related (Non-regulatory) consist of fees for assurance and related services not required by statute or regulation but are reasonably related to the performance of the audit or review of the Group's financial statements which are traditionally performed by the external auditor. These services include assurance of the Group's credit assessments and reviews of the Group's acquisition accounting and tax consolidation processes.

All other fees, including taxation services and other advice are incurred under the Audit Committee's pre-approval policies and procedures, having regard to the auditor's independence requirements of applicable laws, rules and regulations, and assessment that each of the non-audit services provided would not impair the independence of Ernst & Young.

40. KEY MANAGEMENT PERSONNEL

(a) Details of key management personnel for the Group and the Company for the 2010 financial year are presented in the 2010 Remuneration Report at pages 50 and 72.

(b) Compensation 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 2010 financial year:

	CONSOLIDATED	
	2010	**2009**
	$	**$**
Short-term employee benefits	5,649,202	8,238,004
Post employment benefits	286,079	900,185
Other long-term benefits	218,352	146,629
Termination benefits	1,062,000	-
Share-based payment	3,343,894	2,521,041
Total Compensation	**10,585,089**	**11,805,859**

(c) Performance shares granted and vested during the year (Consolidated)

During the financial year performance shares were granted as equity compensation under the Employee Salary Sacrifice, Deferred Share and Performance Share Plan ("Plan") to certain key management personnel as the long term incentive component.

The Plan provides for grants of performance shares to key executives, including the Managing Director. Under the Plan, eligible executives are granted performance shares subject to performance conditions set by the Board. If the performance conditions are satisfied during the relevant performance period, the performance shares will vest.

Each performance share 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 performance shares granted.

Performance shares are granted at no cost to the key executives. The exercise price that applies to exercisable performance rights is nil.

The number of performance shares 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 performance share 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.

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. Details of the 2010 grant to senior executives are set out in the following three tables.

Further details of the Plan are set out in the 2010 Remuneration Report.

KEY MANAGEMENT PERSONNEL (continued)

Performance Shares (Grant A: TSR Performance Condition)

30 June 2010	Vested No.	Granted No.	Grant Date	Fair Value at grant date	Exercise price	Expiry Date	First Exercise Date	Last Exercise Date
			Terms & Conditions for each Grant					
Current Executives								
M Hirst								
- Tranche 1	-	76,219	11.12.09	$7.19	$0.00	30.06.14	30.06.10	30.06.14
- Tranche 2	-	76,219	11.12.09	$6.61	$0.00	30.06.14	30.06.11	30.06.14
- Tranche 3	-	76,219	11.12.09	$6.19	$0.00	30.06.14	30.06.12	30.06.14
- Tranche 4	-	76,219	11.12.09	$5.70	$0.00	30.06.14	30.06.13	30.06.14
- Tranche 5	-	76,219	11.12.09	$5.02	$0.00	30.06.14	30.06.14	30.06.14
M Baker								
- Tranche 1	-	15,243	11.12.09	$7.19	$0.00	30.06.12	30.06.10	30.09.12
- Tranche 2	-	15,243	11.12.09	$6.61	$0.00	30.06.12	30.06.11	30.09.12
- Tranche 3	-	15,243	11.12.09	$6.19	$0.00	30.06.12	30.06.12	30.09.12
D Bice								
- Tranche 1	-	9,908	11.12.09	$7.19	$0.00	30.06.12	30.06.10	30.09.12
- Tranche 2	-	9,908	11.12.09	$6.61	$0.00	30.06.12	30.06.11	30.09.12
- Tranche 3	-	9,908	11.12.09	$6.19	$0.00	30.06.12	30.06.12	30.09.12
R Fennell								
- Tranche 1	-	13,338	11.12.09	$7.19	$0.00	30.06.12	30.06.10	30.09.12
- Tranche 2	-	13,338	11.12.09	$6.61	$0.00	30.06.12	30.06.11	30.09.12
- Tranche 3	-	13,338	11.12.09	$6.19	$0.00	30.06.12	30.06.12	30.09.12
R Jenkins								
- Tranche 1	-	15,243	11.12.09	$7.19	$0.00	30.06.12	30.06.10	30.09.12
- Tranche 2	-	15,243	11.12.09	$6.61	$0.00	30.06.12	30.06.11	30.09.12
- Tranche 3	-	15,243	11.12.09	$6.19	$0.00	30.06.12	30.06.12	30.09.12
T Piper								
- Tranche 1	-	9,908	11.12.09	$7.19	$0.00	30.06.12	30.06.10	30.09.12
- Tranche 2	-	9,908	11.12.09	$6.61	$0.00	30.06.12	30.06.11	30.09.12
- Tranche 3	-	9,908	11.12.09	$6.19	$0.00	30.06.12	30.06.12	30.09.12
Former Executives								
A Baum								
- Tranche 1	-	15,243	11.12.09	$7.19	$0.00	30.06.12	30.06.10	30.09.12
- Tranche 2	-	15,243	11.12.09	$6.61	$0.00	30.06.12	30.06.11	30.09.12
- Tranche 3	-	15,243	11.12.09	$6.19	$0.00	30.06.12	30.06.12	30.09.12
J McPhee								
- Tranche 1	-	38,109	11.12.09	$7.19	$0.00	30.06.12	30.06.10	30.09.13
- Tranche 2	-	38,109	11.12.09	$6.61	$0.00	30.06.12	30.06.11	30.09.13
- Tranche 3	-	38,109	11.12.09	$6.19	$0.00	30.06.12	30.06.12	30.09.13
- Tranche 4	-	38,109	11.12.09	$5.70	$0.00	30.06.14	30.06.13	30.06.13
Total	-	**770,180**						

KEY MANAGEMENT PERSONNEL (continued)

Performance Shares (Grant B: Continued Service)

30 June 2010	Vested No.	Granted No.	Grant Date	Fair Value at grant date	Exercise price	Expiry Date	First Exercise Date	Last Exercise Date
			Terms & Conditions for each Grant					
Current Executives								
M Hirst								
- Tranche 1	-	76,219	11.12.09	$8.56	$0.00	30.06.14	30.06.10	30.06.14
- Tranche 2	-	76,219	11.12.09	$8.19	$0.00	30.06.14	30.06.11	30.06.14
- Tranche 3	-	76,219	11.12.09	$7.83	$0.00	30.06.14	30.06.12	30.06.14
- Tranche 4	-	76,219	11.12.09	$7.50	$0.00	30.06.14	30.06.13	30.06.14
- Tranche 5	-	76,219	11.12.09	$7.17	$0.00	30.06.14	30.06.14	30.06.14
M Baker								
- Tranche 1	-	15,243	11.12.09	$8.56	$0.00	30.06.12	30.06.10	30.06.12
- Tranche 2	-	15,243	11.12.09	$8.19	$0.00	30.06.12	30.06.11	30.06.12
- Tranche 3	-	15,243	11.12.09	$7.83	$0.00	30.06.12	30.06.12	30.06.12
D Bice								
- Tranche 1	-	9,908	11.12.09	$8.56	$0.00	30.06.12	30.06.10	30.06.12
- Tranche 2	-	9,908	11.12.09	$8.19	$0.00	30.06.12	30.06.11	30.06.12
- Tranche 3	-	9,908	11.12.09	$7.83	$0.00	30.06.12	30.06.12	30.06.12
R Fennell								
- Tranche 1	-	13,338	11.12.09	$8.56	$0.00	30.06.12	30.06.10	30.06.12
- Tranche 2	-	13,338	11.12.09	$8.19	$0.00	30.06.12	30.06.11	30.06.12
- Tranche 3	-	13,338	11.12.09	$7.83	$0.00	30.06.12	30.06.12	30.06.12
R Jenkins								
- Tranche 1	-	15,243	11.12.09	$8.56	$0.00	30.06.12	30.06.10	30.06.12
- Tranche 2	-	15,243	11.12.09	$8.19	$0.00	30.06.12	30.06.11	30.06.12
- Tranche 3	-	15,243	11.12.09	$7.83	$0.00	30.06.12	30.06.12	30.06.12
T Piper								
- Tranche 1	-	9,908	11.12.09	$8.56	$0.00	30.06.12	30.06.10	30.06.12
- Tranche 2	-	9,908	11.12.09	$8.19	$0.00	30.06.12	30.06.11	30.06.12
- Tranche 3	-	9,908	11.12.09	$7.83	$0.00	30.06.12	30.06.12	30.06.12
Former Executives								
A Baum								
- Tranche 1	-	15,243	11.12.09	$8.56	$0.00	30.06.12	30.06.10	30.06.12
- Tranche 2	-	15,243	11.12.09	$8.19	$0.00	30.06.12	30.06.11	30.06.12
- Tranche 3	-	15,243	11.12.09	$7.83	$0.00	30.06.12	30.06.12	30.06.12
J McPhee								
- Tranche 1	-	38,109	11.12.09	$8.56	$0.00	30.06.12	30.06.10	30.06.13
- Tranche 2	-	38,109	11.12.09	$8.19	$0.00	30.06.12	30.06.11	30.06.13
- Tranche 3	-	38,109	11.12.09	$7.83	$0.00	30.06.12	30.06.12	30.06.13
- Tranche 4	-	38,109	11.12.09	$7.50	$0.00	30.06.14	30.06.13	30.06.13
Total	-	**770,180**						

Performance Shares (Grant A and Grant B)

The movement in performance shares granted by the Company is presented in the following table.

30 June 2010	Balance at 01.7.09	Granted as Remun-eration	Performance Shares Vested	Net Change Other	Balance at 30.6.10	Total	Exercisable	Not Exercisable
Current Executives								
M Hirst	-	762,190	(125,761)	-	636,429	636,429	-	636,429
M Baker	-	91,458	(25,151)	-	66,307	66,307	-	66,307
D Bice	-	59,448	(16,348)	-	43,100	43,100	-	43,100
R Fennell	-	80,028	(22,008)	-	58,020	58,020	-	58,020
R Jenkins	-	91,458	(25,151)	-	66,307	66,307	-	66,307
T Piper	-	59,448	(16,348)	-	43,100	43,100	-	43,100
Former Executives								
A Baum	-	91,458	(25,151)	(66,307)	-	-	-	-
J McPhee	-	304,872	-	(304,872)	-	-	-	-
Total	**-**	**1,540,360**	**(255,918)**	**(371,179)**	**913,263**	**913,263**	**-**	**913,263**

KEY MANAGEMENT PERSONNEL (continued)

Performance Options FY 2010

There were no grants of options during or subsequent to the financial year ended 30 June 2010 and no shares were issued on the exercise of vested options.

30 June 2010	Balance 01.7.09	Granted as Remun-eration	Options Exercised	Net Change Other	Balance 30.6.10	Total	Exercisable	Not Exercisable
Current Executives								
M Hirst	248,862	-	-	(44,601)	204,261	204,261	-	204,261
M Baker	109,414	-	-	(30,516)	78,898	78,898	-	78,898
D Bice	-	-	-	-	-	-	-	-
R Fennell	47,445	-	-	-	47,445	47,445	-	47,445
R Jenkins	122,500	-	-	(34,038)	88,462	88,462	-	88,462
T Piper	47,445	-	-	-	47,445	47,445	-	47,445
S Thredgold	-	-	-	-	-	-	-	-
A Watts	97,195	-	-	(25,822)	71,373	71,373	-	71,373
Former Executives								
A Baum	50,365	-	-	(50,365)	-	-	-	-
G Gillett	134,017	-	-	(37,559)	96,458	96,458	-	96,458
D Hughes	45,985	-	-	(45,985)	-	-	-	-
R Hunt	402,352	-	-	(160,465)	241,887	241,887	-	241,887
C Langford	145,534	-	-	(145,534)	-	-	-	-
J McPhee	189,781	-	-	(189,781)	-	-	-	-
P Riquier	40,146	-	-	-	40,146	40,146	-	40,146
Total	**1,681,041**	**-**	**-**	**764,666**	**916,375**	**916,375**	**-**	**916,375**

Performance Options FY 2009

30 June 2009	Balance 01.7.08	Granted as Remun-eration	Options Exercised	Net Change Other	Balance 30.7.09	Total	Exercisable	Not Exercisable
Current Executives								
R Hunt	402,352	-	-	-	402,352	402,352	120,349	282,003
J McPhee	-	189,781	-	-	189,781	189,781	-	189,781
M Baker	58,401	51,013	-	-	109,414	109,414	-	109,414
A Baum	-	50,365	-	-	50,365	50,365	-	50,365
R Fennell	-	47,445	-	-	47,445	47,445	-	47,445
G Gillett	70,251	63,766	-	-	134,017	134,017	-	134,017
M Hirst	84,986	163,876	-	-	248,862	248,862	-	248,862
D Hughes	-	45,985	-	-	45,985	45,985	-	45,985
R Jenkins	64,807	57,693	-	-	122,500	122,500	-	122,500
C Langford	75,695	69,839	-	-	145,534	145,534	-	145,534
T Piper	-	47,445	-	-	47,445	47,445	-	47,445
P Riquier	-	40,146	-	-	40,146	40,146	-	40,146
A Watts	46,976	50,219	-	-	97,195	97,195	-	97,195
Total	**803,468**	**877,573**	**-**	**-**	**1,681,041**	**1,681,041**	**120,349**	**1,560,692**

KEY MANAGEMENT PERSONNEL (continued)

Performance Rights FY 2010

There were no grants of performance rights during or subsequent to the financial year ended 30 June 2010. During the year 46,076 shares (2009: 19,043 shares) were issued on the exercise of performance rights. This includes 36,238 shares issued to senior executives listed below on the exercise of performance rights. A further 9,838 shares were issued to other senior management who participated in previous grants under the executive incentive Plan.

30 June 2010	Balance at 01.7.09	Granted as Remuneration	Rights Vested / Exercised	Net Change Other	Balance at 30.6.10	Total	Exercisable	Not Exercisable
Current Executives								
M Hirst	38,683	-	-	(7,058)	31,625	31,625	-	31,625
M Baker	17,511	-	-	(4,829)	12,682	12,682	-	12,682
D Bice	-	-	-	-	-	-	-	-
R Fennell	18,238	-	(1,406)	(9,843)	6,989	6,989	-	6,989
R Jenkins	19,587	-	-	(5,386)	14,201	14,201	-	14,201
T Piper	18,238	-	(1,406)	(9,843)	6,989	6,989	-	6,989
S Thredgold	-	-	-	-	-	-	-	-
A Watts	15,404	-	-	(4,086)	11,318	11,318	-	11,318
Former Executives								
A Baum	19,360	-	(1,493)	(17,867)	-	-	-	-
G Gillett	21,396	-	-	(5,944)	15,452	15,452	-	15,452
D Hughes	17,677	-	(11,344)	(6,333)	-	-	-	-
R Hunt	47,914	-	-	(25,391)	22,523	22,523	-	22,523
C Langford	23,204	-	(14,207)	(8,997)	-	-	-	-
J McPhee	69,490	-	(5,192)	(64,298)	-	-	-	-
P Riquier	15,432	-	(1,190)	(8,328)	5,914	5,914	-	5,914
Total	**342,134**	**-**	**36,238**	**178,203**	**127,693**	**127,693**	**-**	**127,693**

Performance Rights FY 2009

30 June 2009	Balance 01.7.08	Granted as Remuneration	Rights Vested / exercised	Net Change Other	Balance 30.6.09	Total	Exercisable	Not Exercisable
Current Executives								
R Hunt	66,957	-	(19,043)	-	47,914	47,914	-	47,914
J McPhee	41,533	27,957	-	-	69,490	69,490	-	69,490
M Baker	9,996	7,515	-	-	17,511	17,511	-	17,511
A Baum	11,941	7,419	-	-	19,360	19,360	-	19,360
R Fennell	11,249	6,989	-	-	18,238	18,238	-	18,238
G Gillett	12,002	9,394	-	-	21,396	21,396	-	21,396
M Hirst	14,542	24,141	-	-	38,683	38,683	-	38,683
D Hughes	10,903	6,774	-	-	17,677	17,677	-	17,677
R Jenkins	11,088	8,499	-	-	19,587	19,587	-	19,587
C Langford	12,916	10,288	-	-	23,204	23,204	-	23,204
T Piper	11,249	6,989	-	-	18,238	18,238	-	18,238
P Riquier	9,518	5,914	-	-	15,432	15,432	-	15,432
A Watts	8,006	7,398	-	-	15,404	15,404	-	15,404
Total	**231,900**	**129,277**	**(19,043)**	**-**	**342,134**	**342,134**	**-**	**342,134**

KEY MANAGEMENT PERSONNEL (continued)

(d) Shareholdings of directors and named executives (including their related parties) in the Company:

Name	Balance 1 July 2009			Net Change			Balance 30 June 2010		
	Ordinary shares	Employee shares	Pref Shares	Ordinary shares	Employee shares	Pref Shares	Ordinary shares	Employee shares	Pref Shares
Non-Executive Directors									
R Johanson	306,113	-	1,000	33,838	-	-	339,951	-	1,000
K Abrahamson	17,801	-	309	1,483	-	-	19,284	-	309
J Dawson	21,705	-	150	4,717	-	(50)	26,422	-	100
J Hazel	-	-	-	5,145	-	-	5,145	-	-
D Matthews	540	-	-	1,000	-	-	1,540	-	-
T O'Dwyer	63,300	-	-	5,275	-	-	68,575	-	-
D Radford	1,700	-	-	200	-	-	1,900	-	-
A Robinson	3,200	-	-	2,766	-	-	5,966	-	-
Current Executives									
M Hirst	1,202	50,000	-	8,086	-	-	9,288	50,000	-
M Baker	8,957	55,720	500	12,785	-	-	21,742	55,720	500
D Bice	3,442	28,817	-	155	-	-	3,597	28,817	-
R Fennell	-	-	-	1,406	-	-	1,406	-	-
R Jenkins	27,087	69,880	-	-	-	-	27,087	69,880	-
T Piper	16,878	-	-	1,406	-	-	18,284	-	-
S Thredgold	3,717	250	-	-	99	-	3717	349	-
A Watts	1,630	19,470	-	1,757	99	-	3,387	19,569	-
Former Executives [1]									
A Baum	538	30,746	-	(538)	(30,746)	-	-	-	-
G Gillett	10,617	132,590	-	(10,617)	(132,590)	-	-	-	
D Hughes	708	-	-	(708)	-	-	-	-	-
R Hunt	388,193	600,000	-	(388,193)	(600,000)	-	-	-	-
C Langford	1,450	123,367	-	(1,450)	(123,367)	-	-	-	-
J McPhee	337,826	204,250	-	(337,826)	(204,250)	-	-	-	-
P Riquier	-	2,467	-	-	(2,467)	-	-	-	-
Total	**1,216,604**	**1,317,557**	**1,959**	**(659,313)**	**(1,093,222)**	**(50)**	**557,291**	**224,335**	**1,909**

[1] During the year the former executives were issued ordinary shares in relation to vested and exercised performance rights (refer "Performance Rights" table above): A Baum - 1,493 shares, R Fennell - 1,406 shares, D Hughes - 11,344 shares, C Langford - 14,207 shares, J McPhee - 5,192 shares, T Piper - 1,406 shares and P Riquier – 1,190 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.

(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	Interest charged	Interest not charged	Write-off	Balance at end of period	Number at 30 June 2009
	$'000	$'000	$'000	$'000	$'000	
Directors[1]						
2010 [2]	3,667	273	-	-	2,981	5
2009 [2]	14,146	645	235	-	11,824	7
Executives[1]						
2010 [2]	13,571	468	216	-	3,810	8
2009 [2]	8,562	355	102	-	6,555	10
Total directors and executives						
2010 [2]	17,238	741	216	-	6,791	13
2009 [2]	22,708	1,000	337	-	18,379	17

KEY MANAGEMENT PERSONNEL (continued)

(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	1,030	100	-	-	1,273	1,463
J Dawson	449	30	-	-	449	484
D Radford	995	39	-	-	389	1,000
T Robinson	800	69	-	-	500	808
D Matthews	393	35	-	-	370	437
Current Executives						
M Hirst						
Staff share loan	269	-	11	-	252	269
Loans	3	2	-	-	40	79
M Baker						
Staff share loan	228	-	9	-	209	228
Loans	97	5	-	-	57	97
D Bice						
Staff share loan	110	-	4	-	100	110
Loans	29	21	-	-	424	449
R Fennell						
Loans	407	36	-	-	508	908
R Jenkins						
Staff share loan	245	-	10	-	222	245
Loans	1,035	65	-	-	1,243	1,391
T Piper						
Loans	2	1	-	-	31	36
S Thredgold						
Loans	-	23	-	-	325	357
A Watts						
Staff share loan	59	-	2	-	53	59
Loans	423	21	-	-	346	577
Former Executives						
A Baum						
Loans	452	15	-	-	-	451
G Gillett						
Staff share loan	428	-	17	-	-	428
Loans	701	38	-	-	-	701
R Hunt						
Staff share loan	2,101	-	151	-	-	2,101
Loans	3,636	90	-	-	-	3,636
C Langford						
Staff share loan	401	-	9	-	-	401
Loans	1,593	67	-	-	-	1,593
J McPhee						
Staff share loan	129	-	3	-	-	129
Loans	1,006	74	-	-	-	1,006
P Riquier						
Loans	218	10	-	-	-	218

[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. The closing balances excludes directors and executives who ceased during the year.

KEY MANAGEMENT PERSONNEL (continued)

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 Employee Share Ownership Plan

Loans have been provided to 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 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 2010 financial year included services in relation to the purchase of Tasmanian Banking Services, the Company's strategy for the Great Southern managed investment schemes and the Bank's Adelaide and Sydney long term accommodation projects. The amount paid or payable for the year was $1,063,660 (2009: $1,216,187).

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 excluding dividends, between Bendigo and Adelaide Bank and its subsidiaries during the period were as follows:

		Net receipts and fees (paid to)/ received from 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	2010	0.4	-	(1.2)
	2009	0.4	-	(1.6)
Tasmanian Banking Services Limited [(1)]	2010	2.3	4.4	(2.1)
	2009	-	-	-
National Mortgage Market Corporation Limited	2010	2.9	0.4	10.0
	2009	(1.0)	0.5	7.5
National Assets Securitisation Corporation Pty Ltd	2010	(0.9)	-	-
	2009	-	-	0.9
Fountain Plaza Pty Ltd	2010	(0.2)	-	1.4
	2009	91.2	1.8	1.6
Victorian Securities Corporation Limited	2010	1.5	2.4	7.6
	2009	15.1	2.7	8.5
Bendigo Financial Planning Limited	2010	13.0	11.2	(2.4)
	2009	9.8	11.9	(4.2)
Benhold Pty Ltd	2010	-	-	-
	2009	5.1	-	-
IOOF Building Society Pty Ltd	2010	-	-	-
	2009	(20.4)	-	-
Rural Bank Limited [(1)]	2010	1.2	7.5	0.5
	2009	-	-	-
Community Developments Australia Pty Ltd	2010	0.4	1.4	(10.1)
	2009	0.9	1.8	(9.1)
Community Exchanges Australia Pty Ltd	2010	(0.5)	-	(0.7)
	2009	1.2	-	(0.2)
Sandhurst Trustees Limited	2010	8.6	12.1	(74.2)
	2009	(60.4)	10.0	(70.7)
Oxford Funding Pty Ltd	2010	0.5	-	1.9
	2009	45.2	6.9	1.4
Sunstate Lenders Mortgage Insurance Limited	2010	-	-	-
	2009	-	1.4	(10.0)
Pirie Street Holdings Limited	2010	77.9	-	-
(previously Adelaide Bank Limited)	2009	32.1	52.7	(77.9)
Adelaide Equity Finance Pty Ltd	2010	416.9	3.3	16.9
	2009	(388.1)	8.6	(396.7)
Leveraged Equities	2010	(730.9)	24.9	(966.0)
	2009	(191.6)	18.6	(210.2)
Co-op Member Services Pty Ltd	2010	0.4	-	22.6
	2009	22.2	-	22.2
Hindmarsh Financial Service Pty Ltd	2010	(0.3)	-	(1.4)
	2009	(1.8)	(0.7)	(1.1)
AB Management Pty Ltd	2010	2.9	-	9.8
	2009	6.9	-	6.9
Adelaide Managed Funds Limited	2010	7.0	1.5	(0.5)
	2009	2.6	8.6	(6.0)
Hindmarsh Adelaide Property Trust	2010	(1.0)	-	(4.9)
	2009	(4.4)	(0.5)	(3.9)

[(1)] Fully consolidated contributions of Tasmanian Banking Services Limited from August 2009 and Rural Bank Limited from October 2009

Dividends paid by subsidiaries are disclosed in the table below.

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.

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 2010
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	0.6
	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 above table:

		$m
Adelaide Bank Limited	2010	-
(now Pirie Street Holdings Limited)	2009	86.8
Sandhurst Trustees Limited	2010	15.0
	2009	14.4
Sunstate Lenders Mortgage Insurance Pty Ltd	2010	1.3
	2009	10.0
Leveraged Equities	2010	60.0
	2009	-
Rural Bank Limited	2010	14.7
	2009	-
Caroline Springs Financial Services Limited	2010	0.1
	2009	-
Funds Transfer Services Limited	2010	0.5
	2009	-

During the year transactions between subsidiaries occurred between Sandhurst Trustees Limited and Victorian Securities Corporation Limited, totalling $19.9 million. There were no other material transactions between subsidiary companies.

Other related party transactions

Securitised and sold loans

The bank securitised loans totalling $2,550.7 million (2009: $5,857.6 million) during the financial year. No loans were sold to the Common Funds managed by Sandhurst Trustees Limited during the year (2009: $248.9 million). The consolidated Group does invest in some of its own securitisation programs where the Bank holds A & B notes equivalent to $6,049.8m as at 30 June 2010 (2009: $4,565.9 million). 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 Limited	2010	0.4	2.9	-
	2009	1.4	8.2	(0.3)
Tasmanian Banking Services Ltd	2010	1.0	0.2	-
	2009	10.5	3.3	0.5
Community Sector Enterprises Pty Ltd	2010	5.3	2.8	0.3
	2009	3.8	2.9	0.1
Silver Body Corporate Financial Services Pty Ltd	2010	1.2	0.4	-
	2009	1.1	0.4	0.1
Strategic Payments Services Pty Ltd	2010	10.9	-	-
	2009	6.6	-	-
Homesafe Trust	2010	-	-	(144.0)
	2009	-	-	(98.5)
Community Telco Australia Pty Ltd	2010	-	-	(1.0)
	2009	-	-	(0.7)

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. These loans are included in the net amount owing to/(from) joint ventures 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).

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 (including remuneration) 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, Change Framework and Technology Governance 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 approving 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 Operational Risk Committee.

RISK MANAGEMENT (continued)

Independent Review

Group Assurance (Internal Audit)

The Group 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 Group Assurance. The Committee receives reports at each meeting in respect to the outcomes and status of the internal bank assurance plan. The independent Group 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.

Middle Office

A Middle Office function has been established within Finance and Treasury that is responsible for monitoring market risk and Treasury policy compliance (including adherence to tolerance limits). Middle Office reports to the Chief Financial Officer and 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.

In addition 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. The limits are set and reviewed regularly by the Asset Liability Management Committee ("ALMAC"), Credit Committee and Executive Committee. They align with the budgeting and planning cycle take into account historic and projected risk-adjusted performance and are 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. 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 counterparties 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;
- Reporting to the Credit Committee and the Board Credit Committee and
- Jointly approving larger transactions that are not required to be submitted to the Credit Committee for approval.

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	
	2010	2009	2010	2009
	$ m	$ m	$ m	$ m
Cash and cash equivalents	760.5	912.6	615.0	527.5
Due from other financial institutions	279.7	235.4	279.0	235.4
Financial assets held for trading	3,985.2	3,882.3	3,986.3	5,613.3
Financial assets available for sale - debt securities	261.5	-	2,039.3	-
Financial assets held to maturity	482.8	344.9	97.4	266.4
Other assets	618.2	512.3	460.8	660.4
Financial assets available for sale - share investments	111.7	84.1	3.0	5.9
Derivatives	7.4	49.0	130.8	124.7
Shares in controlled entities	-	-	653.6	460.6
Amounts receivable from controlled entities	-	-	694.9	765.7
Loans and other receivables - investment	541.0	505.7	541.0	505.7
Gross loans and other receivables	43,158.3	38,417.2	35,791.6	34,801.4
	50,206.3	44,943.5	45,292.7	43,967.0
Contingent liabilities	179.5	171.6	176.5	171.6
Commitments	4,529.1	4,632.4	4,456.3	4,616.2
	4,708.6	4,804.0	4,632.8	4,787.8
Total credit risk exposure	54,914.9	49,747.5	49,925.5	48,754.8

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 165 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 2010 was $561.5 million (2009: $519.8 million) before taking account of collateral or other credit enhancements and $561.5 million (2009: $519.8 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	
	2010	2009	2010	2009
	$ m	$ m	$ m	$ m
Victoria	18,414.4	15,574.0	19,859.2	16,170.7
New South Wales	12,628.6	12,984.5	10,401.1	12,701.2
Australian Capital Territory	401.1	468.3	395.8	422.1
Queensland	9,944.2	8,757.8	8,293.8	8,059.6
South Australia/Northern Territory	5,593.4	6,936.6	4,686.8	7,680.3
Western Australia	6,522.0	3,590.5	5,034.2	2,387.8
Tasmania	972.3	816.2	867.2	722.1
Overseas/other	438.9	619.6	387.4	611.0
Total credit risk exposure	54,914.9	49,747.5	49,925.5	48,754.8

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:

Industry Concentration	Consolidated		Parent	
	Gross maximum exposure 2010 $ m	Gross maximum exposure 2009 $ m	Gross maximum exposure 2010 $ m	Gross maximum exposure 2009 $ m
Accomodation and food services	571.6	482.6	481.1	441.1
Administrative and support services	328.9	305.4	238.3	240.2
Agriculture, forestry and fishing	5,048.9	1,592.9	1,264.0	1,505.4
Arts and recreation services	202.0	216.7	162.3	189.8
Construction	2,127.2	1,974.9	1,605.9	1,618.6
Education and training	412.7	422.1	247.0	312.1
Electricity, gas, water and waste services	200.0	172.0	132.7	140.5
Financial and insurance services	1,102.0	1,124.0	1,021.0	1,078.5
Financial services	6,322.1	5,893.6	9,025.2	8,677.9
Health care and social assistance	1,023.2	933.6	764.3	792.6
Information media and telecommunications	193.8	199.2	135.3	164.5
Manufacturing	906.2	905.8	618.4	736.8
Margin Lending	3,627.0	3,315.8	-	-
Mining	252.6	256.5	173.0	216.8
Other	308.7	278.4	153.6	263.1
Other Services	578.4	537.0	438.1	441.6
Professional, scientific and technical services	769.3	714.2	604.9	609.7
Public administration and safety	634.4	461.2	437.6	361.1
Rental, hiring and real estate services	3,175.6	2,923.5	3,067.9	3,037.4
Residential/consumer	24,568.6	24,144.7	27,407.7	25,396.0
Retail trade	1,334.5	1,613.4	1,057.9	1,426.7
Transport, postal and warehousing	765.3	793.7	528.3	666.9
Wholesale trade	461.9	486.3	361.0	437.5
	54,914.9	49,747.5	49,925.5	48,754.8

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 financial asset balance sheet lines, based on the group's credit rating system.

Consolidated	**Neither past due or impaired**						
2010	**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	760.5	-	-	-	-	-	760.5
Due from other financial institutions	279.7	-	-	-	-	-	279.7
Financial assets held for trading	3,985.2	-	-	-	-	-	3,985.2
Financial assets available for sale - debt securities	261.5	-	-	-	-	-	261.5
Financial assets held to maturity	482.8	-	-	-	-	-	482.8
Other assets	-	-	-	618.2	-	-	618.2
Financial assets available for sale - share investments	-	-	-	111.7	-	-	111.7
Derivatives	7.4	-	-	-	-	-	7.4
Loans and other receivables - investment	-	392.7	-	34.5	-	113.8	541.0
Loans and other receivables	4,802.5	8,326.7	983.5	1,216.5	25,083.4	2,745.7	43,158.3
	10,579.6	8,719.4	983.5	1,980.9	25,083.4	2,859.5	50,206.3
2009							
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 - debt 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	-	318.2	-	68.3	-	119.2	505.7
Loans and other receivables	2,327.6	6,875.9	652.6	985.9	25,646.2	1,929.0	38,417.2
	7,751.8	7,194.1	652.6	1,650.6	25,646.2	2,048.2	44,943.5

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

Parent	**Neither past due or impaired**						
2010	**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	615.0	-	-	-	-	-	615.0
Due from other financial institutions	279.0	-	-	-	-	-	279.0
Financial assets held for trading	3,986.3	-	-	-	-	-	3,986.3
Financial assets available for sale - debt securities	2,039.3	-	-	-	-	-	2,039.3
Financial assets held to maturity	97.4	-	-	-	-	-	97.4
Other assets	-	-	-	460.8	-	-	460.8
Financial assets available for sale - share investments	-	-	-	3.0	-	-	3.0
Derivatives	130.8	-	-	-	-	-	130.8
Loans and other receivables - investment	-	392.7	-	34.5	-	113.8	541.0
Loans and other receivables	126.8	6,313.3	656.7	1,204.1	25,012.2	2,478.5	35,791.6
Amounts receivable from controlled entities	-	-	-	694.9	-	-	694.9
Shares in controlled entities	-	-	-	653.6	-	-	653.6
	7,274.6	6,706.0	656.7	3,050.9	25,012.2	2,592.3	45,292.7
2009							
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 - debt 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	-	318.2	-	68.3	-	119.2	505.7
Loans and other receivables	150.4	5,671.8	623.2	973.8	25,470.3	1,911.9	34,801.4
Amounts receivable from controlled entities	-	-	-	765.7	-	-	765.7
Shares in controlled entities	-	-	-	460.6	-	-	460.6
	6,917.7	5,990.0	623.2	2,934.7	25,470.3	2,031.1	43,967.0

* 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
2010	1,544.7	347.9	147.3	539.1	2,579.0	6,568.0
2009	1,127.4	262.4	152.6	274.8	1,817.2	3,868.5
Parent						
2010	1,511.1	300.3	132.8	459.3	2,403.5	5,092.1
2009	1,126.9	262.4	152.6	274.2	1,816.1	3,857.7

Renegotiated terms

Generally, the terms of loans are only renegotiated on a temporary basis in the event of customer hardship. In these cases the term of the loan is extended, but no longer than the maximum term entitlement for the product. Original terms are typically re-instated within a 3 to 6 month period. The majority of retail customers proactively contact the bank prior to the loan becoming past due or impaired. Therefore, the carrying value of financial assets that would otherwise be past due or impaired whose terms have been renegotiated is considered immaterial.

Impairment assessment

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The group addresses impairment assessment in three areas: individually assessed allowances (specific provisions), collectively assessed allowances (collective provisions) and a prudential reserve (general reserve for credit losses).

Individually assessed provisions (specific provisions)

The group determines the impairment provision appropriate for each individually significant loan or advance on an individual basis. Items considered when determining provision amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support and the realisable value of collateral, and the timing of expected cash flows. The impairment losses are evaluated on a continuous basis.

Allowances are assessed on a portfolio basis for losses on loans and receivables that are not individually significant (including unsecured credit cards, personal loans, overdrafts, unsecured mortgage loans) and where specific identification is impractical. Provisions are calculated for these portfolios based on historical loss experience.

Collectively assessed provisions (collective provisions)

Where individual loans are found not to be specifically impaired they are grouped together according to their risk characteristics and are then assessed for impairment. Based on historical loss data and current available information for assets with similar risk characteristics, the appropriate collective provision is raised. The collective provisions are re-assessed at each balance date.

Prudential reserve (general reserve for credit losses)

A general reserve for credit losses is maintained to cover risks inherent in the loan portfolios.

Australian Prudential Regulation Authority ("APRA") requires that banks maintain a general reserve for credit losses to cover risks inherent in loan portfolios. In certain circumstances the collective provision can be included in this assessment. Movements in the general reserve for credit losses are recognised as an appropriation of retained earnings. The bank maintained a GRCL at 0.54% as at 30 June 2010 (2009:0.54%).

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:

	2010 %	2009 %
30 June	11.19	11.95
Average during the financial year	12.08	14.45
Highest	14.15	16.97
Lowest	10.85	11.19

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the group's financial liabilities at 30 June 2010 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 2010	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	195.5	-	-	-	-	195.5
Deposits	11,104.2	16,849.3	8,370.5	1,121.0	1.4	37,446.4
Notes payable	-	309.5	868.9	6,487.1	1,432.0	9,097.5
Derivatives	-	166.6	313.8	871.5	92.7	1,444.6
Other payables	630.2	-	-	-	-	630.2
Income tax payable	73.1	-	-	-	-	73.1
Reset preference shares	-	-	5.4	97.6	-	103.0
Subordinated debt - at amortised cost	-	72.4	185.3	159.6	254.3	671.6
	12,003.0	17,397.8	9,743.9	8,736.8	1,780.4	49,661.9
2009						
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
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
Parent **2010**						
Due to other financial institutions	194.3	-	-	-	-	194.3
Deposits	10,710.3	15,164.6	6,916.0	1,017.6	0.7	33,809.2
Notes payable	-	309.5	868.9	-	-	1,178.4
Derivatives	-	135.9	275.8	347.5	90.2	849.4
Other payables	721.7	-	-	-	-	721.7
Loans payable to securitisation trusts	-	-	120.4	4,496.3	1,790.0	6,406.7
Income tax payable	59.9	-	-	-	-	59.9
Reset preference shares	-	-	5.4	97.6	-	103.0
Subordinated debt - at amortised cost	-	70.0	178.0	120.5	94.1	462.6
	11,686.2	15,680.0	8,364.5	6,079.5	1,975.0	43,785.2
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
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	3,727.6	4,675.4	44,181.5

RISK MANAGEMENT (continued)

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

Consolidated 2010	At call $ m	Not longer than 3 mths $ m	3 to 12 months $ m	1 to 5 years $ m	Longer than 5 years $ m	Total $ m
Contingent liabilities	179.5	-	-	-	-	179.5
Commitments	4,138.1	-	95.1	171.2	124.7	4,529.1
Total	4,317.6	-	95.1	171.2	124.7	4,708.6
2009						
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
Parent 2010						
Contingent liabilities	176.5	-	-	-	-	176.5
Commitments	4,066.9	-	94.5	170.3	124.6	4,456.3
Total	4,243.4	-	94.5	170.3	124.6	4,632.8
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

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 2010, 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 2010 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	**2010**	**2010**	**2009**	**2009**
	$ m	**$ m**	**$ m**	**$ m**
Net interest income	37.2	(37.7)	46.0	(46.0)
Ineffectiveness in cash flow hedge	5.1	(5.1)	0.2	(0.2)
Income tax effect at 30%	(12.7)	12.8	(13.9)	13.9
Effect on profit	29.6	(30.0)	32.3	(32.3)
Effect on profit (per above)	29.6	(30.0)	32.3	(32.3)
Available for sale reserve	-	-	-	-
Ineffectiveness in cash flow hedge	100.9	(100.9)	95.4	(95.4)
Income tax effect on reserves at 30%	(30.3)	30.3	(28.6)	28.6
Effect on equity	100.2	(100.6)	99.1	(99.1)
Parent				
Net interest income	30.5	(31.0)	45.5	(45.5)
Ineffectiveness in cash flow hedge - controlled entity	5.0	(5.0)	-	-
Income tax effect at 30%	(10.7)	10.8	(13.7)	13.7
Effect on profit	24.8	(25.2)	31.8	(31.8)
Effect on profit (per above)	24.8	(25.2)	31.8	(31.8)
Cash flow hedge reserve	94.1	(94.1)	95.4	(95.4)
Income tax effect on reserves at 30%	(28.2)	28.2	(28.6)	28.6
Effect on equity	90.7	(91.1)	98.6	(98.6)

The movements in profit are due to higher/lower interest costs from variable rate debt and cash balances. The movement in equity is also affected by the increase/decrease in the fair value of derivative instruments designated as cash flow hedges, where these derivatives are deemed effective. 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 $239.8 million (2009: AUD $707.4 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 2010 is $111.7m (2009:$84.1m) with $109.5m (2009:$81.2m) 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 BSX.

The Groups' equity investments represent approximately 0.2% of total Group assets and are predominantly 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 impact of objectives resulting from inadequate or failed internal processes, people and systems or from external events, including legal and reputation risk but excluding strategic risk, 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 7 "Financial Instruments - Disclosure”.
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 equal to the carrying value.

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	
	2010	2009	2010	2009
CONSOLIDATED	$m	$m	$m	$m
Financial Assets				
Cash and cash equivalents	760.5	912.6	760.5	912.6
Due from other financial institutions	279.7	235.4	279.7	235.4
Derivatives	7.4	49.0	7.4	49.0
Financial assets held for trading	3,985.2	3,882.3	3,985.2	3,882.3
Financial assets available for sale - debt securities	261.5	-	261.5	-
Financial assets available for sale - share investments	111.7	84.1	111.7	84.1
Financial assets held to maturity	482.8	344.9	482.8	344.9
Loans and other receivables - investment	541.0	505.7	540.4	507.6
Net loans and other receivables	42,980.8	38,235.2	46,206.5	41,053.9
Investments in joint ventures accounted for using the equity method	7.2	225.9	7.2	281.6
Other assets	618.2	512.3	618.2	512.3
Financial Liabilities				
Due to other financial institutions	195.5	196.3	195.5	196.3
Deposits	37,076.2	31,879.8	36,566.0	31,555.7
Notes Payable	9,042.8	9,974.5	9,018.2	9,807.5
Derivatives	263.6	436.4	263.6	436.4
Other payables	777.3	665.9	777.3	665.9
Reset preference shares	89.5	89.5	90.1	87.2
Subordinated debt	532.9	598.7	497.8	527.1
PARENT				
Financial Assets				
Cash and cash equivalents	615.0	527.5	615.0	527.5
Due from other financial institutions	279.0	235.4	279.0	235.4
Derivatives	130.8	124.7	130.8	124.7
Financial assets available for sale - debt securities	2,039.3	-	2,039.3	-
Financial assets available for sale - share investments	3.0	5.9	3.0	5.9
Shares in controlled entities	653.6	460.6	653.6	460.6
Financial assets held to maturity	97.4	266.4	97.4	266.4
Loans and other receivables - investment	541.0	505.7	540.4	507.6
Net loans and other receivables	35,636.6	34,598.4	37,955.4	38,988.5
Amounts receivable from controlled entities	694.9	765.7	694.9	765.7
Other assets	460.8	660.4	452.4	657.1
Financial Liabilities				
Due to other financial institutions	194.3	196.3	194.3	196.3
Deposits	33,504.2	31,894.1	32,998.3	31,560.2
Derivatives	220.3	486.2	220.3	486.2
Other payables	820.8	903.3	820.8	903.3
Loans payable to securitisation trusts	6,406.7	6,033.4	6,406.7	6,033.4
Reset preference shares	89.5	89.5	90.1	87.2
Subordinated debt	393.7	598.7	368.4	527.1

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 2010	Floating	Fixed interest rate repricing :						Total	Weighted
	interest	Less than	Between	Between	Between	After	Other	carrying value	average
	rate	3 months	3 months	6 months	1 year	5 years		per	effective
			& 6 months	& 12 months	& 5 years			Balance sheet	interest rate
Consolidated	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**%**
Assets									
Cash and cash equivalents	469.6	-	-	-	-	-	290.9	760.5	2.92
Due from other financial institutions	-	-	-	-	-	-	279.7	279.7	-
Financial assets held for trading	82.0	2,926.3	906.9	70.0	-	-	-	3,985.2	5.03
Financial assets available for sale	-	261.5	-	-	-	-	-	261.5	5.51
Financial assets held to maturity	-	419.4	5.0	18.6	39.8	-	-	482.8	5.10
Loans and other receivables	27,486.7	5,498.5	1,336.6	3,455.7	5,664.9	198.0	(118.6)	43,521.8	7.67
Derivatives	-	-	-	-	-	-	7.4	7.4	-
Total financial assets	28,038.3	9,105.7	2,248.5	3,544.3	5,704.7	198.0	459.4	49,298.9	-
Liabilities									
Due to other financial instituions	-	-	-	-	-	-	195.5	195.5	-
Deposits	10,774.1	17,371.2	5,646.4	2,409.9	868.7	5.8	0.1	37,076.2	4.72
Notes payable	60.0	8,132.7	449.8	400.3	-	-	-	9,042.8	5.67
Derivatives	-	-	-	-	-	-	263.6	263.6	-
Reset preference shares	-	-	-	-	89.5	-	-	89.5	6.16
Subordinated debt	-	393.5	-	-	-	-	139.4	532.9	6.03
Total financial liabilities	10,834.1	25,897.4	6,096.2	2,810.2	958.2	5.8	598.6	47,200.5	-

AS AT 30 JUNE 2009	Floating	Fixed interest rate repricing :						Total	Weighted
	interest	Less than	Between	Between	Between	After	Other	carrying value	average
	rate	3 months	3 months	6 months	1 year	5 years		per	effective
			& 6 months	& 12 months	& 5 years			Balance sheet	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 institutions	-	-	-	-	-	-	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	-

FINANCIAL INSTRUMENTS (continued)

Interest rate risk (continued)

AS AT 30 JUNE 2010	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	Other	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	413.0	-	-	-	-	-	202.0	615.0	3.22
Due from other financial institutions	-	-	-	-	-	-	279.0	279.0	-
Financial assets held for trading	82.0	2,948.0	888.3	68.0	-	-	-	3,986.3	5.03
Financial assets available for sale		2,039.3			-	-	-	2,039.3	5.89
Financial assets held to maturity	-	97.4	-	-	-	-	-	97.4	5.00
Loans and other receivables	14,516.8	4,994.1	2,362.2	2,099.9	7,294.3	5,038.3	(128.0)	36,177.6	7.45
Derivatives	-	-	-	-	-	-	130.8	130.8	-
Total financial assets	15,011.8	10,078.8	3,250.5	2,167.9	7,294.3	5,038.3	483.8	43,325.4	-
Liabilities									
Due to other financial institutions	-	-	-	-	-	-	194.3	194.3	-
Deposits	10,144.0	15,821.1	4,955.2	1,807.3	775.6	1.0	-	33,504.2	4.58
Notes payable	-	306.3	449.8	400.3	-	-	-	1,156.4	4.99
Loans payable to securitisation trusts		47.4	884.1	397.9	2,389.7	2,687.6		6,406.7	-
Derivatives	-	-	-	-	-	-	220.3	220.3	-
Reset preference shares	-	-	-	-	89.5	-	-	89.5	6.16
Subordinated debt	-	393.7	-	-	-	-	-	393.7	5.66
Total financial liabilities	10,144.0	16,568.5	6,289.1	2,605.5	3,254.8	2,688.6	414.6	41,965.1	-

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	Other	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 available for sale	-	5,105.3	439.3	68.7	-	-	-	5,613.3	4.09
Shares in controlled entities	-	-	-	-	-	-	-	-	-
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	-

FINANCIAL INSTRUMENTS (continued)

Fair Value Financial Instruments

The Group uses various methods in estimating the fair value of financial instrument. The methods comprise of

Level 1 - The fair value is calculated using quoted prices in active markets.

Level 2 - The fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly (derived from prices).

Level 3 - The fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

As at 30 June 2010

Consolidated

	Quoted market price	Valuation technique - market observable inputs	Valuation technique - non market observable inputs	
Financial assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Trading book investments	-	4,448.9	-	4,448.9
Available for sale investments	-	261.5	-	261.5
Derivative instruments	-	7.4	-	7.4
Listed investments and unlisted equity investments	107.3	-	4.4	111.7
	107.3	4,717.9	4.4	4,829.6
Financial liabilities				
Derivative instruments	-	263.2	-	263.2
	-	263.2	-	263.2

Parent

	Quoted market price	Valuation technique - market observable inputs	Valuation technique - non market observable inputs	
Financial assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Trading book investments	-	4,083.7	-	4,083.7
Available for sale investments	-	126.4	-	126.4
Derivative instruments	-	130.8	-	130.8
Listed investments and unlisted equity investments	-	-	3.0	3.0
	-	4,340.9	3.0	4,343.9
Financial liabilities				
Derivative instruments	-	220.3	-	220.3
	-	220.3	-	220.3

The Fair Value of Held for Trading and Available for Sale financial assets process is as follows.

Each month valuations are determined by undertaking a review of market rate sheets provided by institutions. From these rate sheets, an aggregate trading margin is determined and agreed upon. These margins are then loaded into the groups Treasury Management System, and the investment's market value is updated. Depending on the margin movement, the bank will report a profit or loss for the period.

Almost all of the Banks securities have margins attached. A1 Bills & Certificate of Deposits (CD's) are marked flat to the base rate, Treasury Notes are marked at a negative margin to the base rate and A3 CD's are positive (note these types of securities are regarded as homogeneous and are marked on the same margins irrespective of issuer (i.e. the same credit rating). Asset Backed Commercial Paper, Floating Rate Notes and Residential Mortgage Backed Securities all have individual margins determined by the stocks individual characteristics.

Financial Assets and Liabilities are listed as tier 3 as the fair values are determined on the basis of management assumptions in respect of remaining average life of the portfolio of loans and deposits acquired through acquisitions.

Listed Investments relates to equity held in IOOF Holdings Ltd. Unlisted Equity Investments relates to equity holdings in entities that are traded in an illiquid market or are thinly traded.

Issued Debt includes issued Floating Rate Notes of $650 million and Euro Commercial Paper of $240 million.

FINANCIAL INSTRUMENTS (continued)

Reconciliation of Level 3 fair value movements

Consolidated	As at 30 June 2009 $m	Purchases $m	Sales $m	As at June 30 2010 $m
Fair value assets				
Listed investments and unlisted equity investments	9.1	0.4	(5.1)	4.4
Total fair value assets	9.1	0.4	(5.1)	4.4

Parent	As at 30 June 2009 $m	Purchases $m	Sales $m	As at 30 June 2010 $m
Fair value asset				
Listed investments and unlisted equity investments	5.5	(2.5)	-	3.0
Total fair value assets	5.5	(2.5)	-	3.0

There were no transfers between level 1 and level 2 during the year.

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 2.32 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 2010 financial year the consolidated entity recognised a loss of $33.9 million (2009: loss $93.6) due to hedge ineffectiveness.

Value of derivatives as at 30 June

	Consolidated 2010				Consolidated 2009			
	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	27.7	-	(0.3)	(0.3)	505.1	-	(1.3)	(1.3)
Interest Rate Swaps	531.1	1.6	(4.1)	(2.5)	163.8	3.4	(2.9)	0.5
Foreign Exchange Contracts	54.2	0.4	(0.4)	-	52.9	1.4	(1.1)	0.3
Derivatives	613.0	2.0	(4.8)	(2.8)	721.8	4.8	(5.3)	(0.5)
Derivatives held as fair value hedges								
Interest Rate Swaps	48.2	0.3	(0.8)	(0.5)	150.8	0.4	(4.3)	(3.9)
Embedded Derivatives	4.9	0.7	-	0.7	1.4	-	-	-
Derivatives	53.1	1.0	(0.8)	0.2	152.2	0.4	(4.3)	(3.9)
Derivatives held as cash flow hedges								
Cross Currency Swaps	485.4	-	(54.6)	(54.6)	689.1	43.8	-	43.8
Interest Rate Swaps	9,913.2	4.4	(203.4)	(199.0)	14,025.1	-	(426.8)	(426.8)
Foreign Exchange Contracts	-	-	-	-	-	-	-	-
Derivatives	10,398.6	4.4	(258.0)	(253.6)	14,714.2	43.8	(426.8)	(383.0)
Derivatives	11,064.7	7.4	(263.6)	(256.2)	15,588.2	49.0	(436.4)	(387.4)
Included in deposits category								
Cross Currency Swaps	-	-	-	-	-	16.3	-	16.3
Total derivatives	11,064.7	7.4	(263.6)	(256.2)	15,588.2	65.3	(436.4)	(371.1)

	Parent 2010				Parent 2009			
	Notional Amount $m	Asset Revaluation $m	Liability Revaluation $m	Net Fair Value $m	Notional Amount $m	Asset Revaluation $m	Liability Revaluation $m	Net Fair Value $m
Included in derivatives category								
Derivatives held for trading								
Cross Currency Swap	27.7	-	(0.3)	(0.3)	505.1	-	(1.3)	(1.3)
Interest Rate Swaps	12,910.4	126.3	(28.2)	98.1	11,209.6	122.6	(58.1)	64.5
Foreign Exchange Contracts	54.2	0.4	(0.4)	-	52.9	1.4	(1.0)	0.4
Derivatives	12,992.3	126.7	(28.9)	97.8	11,767.6	124.0	(60.4)	63.6
Derivatives held as fair value hedges								
Interest Rate Swaps	48.2	0.2	(0.7)	(0.5)	159.3	0.7	-	0.7
Derivatives	48.2	0.2	(0.7)	(0.5)	159.3	0.7	-	0.7
Derivatives held as cash flow hedges								
Interest Rate Swaps	9,215.0	3.9	(190.7)	(186.8)	13,475.1	-	(425.8)	(425.8)
Derivatives	9,215.0	3.9	(190.7)	(186.8)	13,475.1	-	(425.8)	(425.8)
Derivatives	22,255.5	130.8	(220.3)	(89.5)	25,402.0	124.7	(486.2)	(361.5)
Included in deposits category								
Cross Currency Swaps	-	-	-	-	-	16.3	-	16.3
Total derivatives	22,255.5	130.8	(220.3)	(89.5)	25,402.0	141.0	(486.2)	(345.3)

DERIVATIVE FINANCIAL INSTRUMENTS (continued)

As at June 2010, 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**
2010	**$ m**	**$ m**	**$ m**	**$ m**
Cash inflows (Assets)	417.3	265.1	83.2	54.3
Cash outflows (Liabilities)	(558.7)	(378.2)	(100.9)	(54.7)
Net cash inflow	(141.4)	(113.1)	(17.7)	(0.4)
Income statement	(134.5)	(105.9)	(15.2)	(0.2)
2009				
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)

Parent	**Within 1 year**	**1 to 3 years**	**3 to 8 years**	**Over 8 years**
2010	**$ m**	**$ m**	**$ m**	**$ m**
Cash inflows (Assets)	376.2	234.3	73.0	54.3
Cash outflows (Liabilities)	(491.4)	(321.9)	(88.0)	(54.7)
Net cash inflow	(115.2)	(87.6)	(15.0)	(0.4)
Income statement	(108.1)	(81.2)	(13.0)	(0.2)
2009				
Cash inflows (Assets)	849.5	713.5	197.6	55.3
Cash outflows (Liabilities)	(1,258.6)	(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)

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

	Consolidated		**Parent**	
	2010	**2009**	**2010**	**2009**
	$ m	**$ m**	**$ m**	**$ m**
Interest income	12.1	5.3	7.8	4.3
Interest expense	(44.5)	(92.0)	(43.6)	(33.7)
Other operating expenses	(1.7)	(6.9)	(1.7)	(7.0)
	(34.1)	(93.6)	(37.5)	(36.4)
Taxation	10.2	28.1	11.3	10.9
Net gain on cash flow hedges reclassified to the income statement	(23.9)	(65.5)	(26.2)	(25.5)

During 2010 the consolidated entity recognised a loss on fair value hedges of $0.3m, due to hedge ineffectiveness. For hedges that are marked to market and not in a hedge relationship, a loss of $0.1m has been recognised.

45. COMMITMENTS AND CONTINGENCIES

(a) Commitments

The following are outstanding expenditure and credit related commitments as at 30 June 2010. 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	
	2010	2009	2010	2009
	$m	$m	$m	$m
Future minimum rentals payable under non-cancellable operating leases as at 30 June:				
Not later than 1 year	90.1	62.1	89.9	62.1
Later than 1 year but not later than 5 years	171.2	137.4	170.3	137.4
Later than 5 years	124.7	135.2	124.6	135.2
	386.0	334.7	384.8	334.7

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 2010 $m	Consolidated 2009 $m	Parent 2010 $m	Parent 2009 $m
Future minimum rentals receivable under non-cancellable operating leases as at 30 June				
Not later than 1 year	1.5	1.1	1.5	1.1
Later than 1 year but not later than 5 years	2.8	2.2	2.8	2.2
	4.3	3.3	4.3	3.3
Other expenditure commitments				
Sponsorship commitments not paid as at balance date, payable not later than one year	4.8	2.1	4.6	2.1
Credit related commitments				
Gross loans approved, but not advanced to borrowers	993.5	606.2	921.8	589.7
Credit limits granted to clients for overdrafts and credit cards				
Total amount of facilities provided	8,744.9	9,351.7	9,151.8	9,351.1
Amount undrawn at balance date	3,144.8	3,689.4	3,145.1	3,689.7
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. At balance date, the Directors believe that funds available were adequate to satisfy all vested benefits under the plan.

Accounting Policy

Actuarial gains and losses are recognised in retained earnings.

Plan Information

Defined benefit members receive lump sum benefits on retirement, death, disablement and withdrawal. The defined benefit section of the Plan is closed to new members. All new members are entitled to become members of the accumulation categories of the fund.

Fair Value of Plan Assets

The fair value of Plan assets includes Bendigo and Adelaide Bank shares to the value of $1.5 million as at 30 June 2010.

Actual Return	**Consolidated 2010 $ m**	**Consolidated 2009 $ m**
Actual return on Plan assets	1.4	(4.0)
Principal Actuarial Assumptions		
Discount rate	4.5% pa	5.2% pa
Expected rate of return on Plan assets	7.5% pa	7.5% pa
Expected salary increase rate	4.0% pa Certified staff 4.5% increase at 1 December 2010)	0.0% pa first year 4.0% pa thereafter
Reconciliation of the Present Value of the Defined Benefit Obligation		
	$ m	**$ m**
Present value of defined benefit obligations at beginning of period	**11.0**	**12.2**
Add Current service cost	0.6	0.7
Add Interest cost	0.6	0.8
Add contributions by plan participants	0.2	0.3
Add Actuarial gains/(losses)	1.5	(0.9)
Less Benefits paid	4.6	1.9
Less Taxes, premiums and expenses paid	0.3	0.1
Add Transfers in	(0.9)	0.1
Less Contributions to accumulation section	0.1	0.2
Present value of defined benefit obligations at end of the year	**8.0**	**11.0**
Reconciliation of the Fair Value of Plan Assets		
Fair value of Plan assets at beginning of period	**13.2**	**18.7**
Add Expected return on plan assets	1.0	1.4
Add Actuarial gains/(losses)	0.5	(5.3)
Add Employer contributions	0.9	0.3
Add Contributions by plan participants	0.2	0.3
Less Benefits paid	4.6	1.9
Less Taxes, premiums and expenses paid	0.3	0.1
Add Transfers in	(0.9)	0.1
Less Contributions to accumulation section	0.1	0.2
Fair value of Plan assets at end of the year	**9.9**	**13.3**

COMMITMENTS AND CONTINGENCIES (continued)

Reconciliation of the Assets and Liabilities Recognised in the Balance Sheet

	Consolidated 2010 $ m	Consolidated 2009 $ m
Defined Benefit Obligation ^	8.0	11.0
Less Fair value of Plan assets	9.9	13.3
(Surplus)	(1.9)	(2.3)
Net superannuation (asset) / liability	**(1.9)**	**(2.3)**

^ *includes contributions tax provision*

Movements in Liability / (Asset) Recognised in the Balance Sheet

	Consolidated 2010 $ m	Consolidated 2009 $ m
Net superannuation (asset) at beginning of period	**(2.3)**	**(6.5)**
Add Expense recognised in income statement	1.3	4.5
Less Employer contributions	0.9	0.3
Net superannuation (asset) at 30 June	**(1.9)**	**(2.3)**

Expense Recognised in Income Statement

	Consolidated 2010 $ m	Consolidated 2009 $ m
Service cost	0.6	0.7
Interest cost	0.6	0.8
Expected return on assets	(1.0)	(1.3)
Superannuation expense	**0.2**	**0.2**

Amount recognised directly in Other Comprehensive Income

	Consolidated 2010 $ m	Consolidated 2009 $ m
Actuarial (gain) / loss	1.1	4.3

Cumulative amount recognised directly in Other Comprehensive Income

	Consolidated 2010 $ m	Consolidated 2009 $ m
Actuarial (gain) / loss	5.1	3.9

Plan Assets

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

	Consolidated 2010 $ m	Consolidated 2009 $ m
Australian Equity	41%	39%
International Equity	25%	25%
Fixed Income	11%	9%
Property	8%	10%
Alternatives	9%	7%
Cash	6%	10%

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 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 is 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 are:

Expected rate of return on assets (discount rate)	7.50% pa
Expected salary increase rate	4.00% pa (Certified staff: 4.5% increase at 1 December 2010)

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

	2010	**2009**
	$ m	**$ m**
Present value of defined benefit obligation	8.0	11.0
Fair value of Plan assets	9.9	13.3
(Surplus) / deficit in Plan	(1.9)	(2.3)
Experience adjustments (gain)/loss - Plan assets	(0.4)	5.3
Experience adjustments (gain)/loss - Plan liabilities	1.0	0.1

Expected Contributions

Financial year ending	**2011**
	$m
Expected employer contributions	0.2

COMMITMENTS AND CONTINGENCIES (continued)

(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 extended loans to a large number of investors to facilitate their investments in 24 managed investment schemes of which Great Southern Managers Australia Limited was the responsible entity. Administrators and receivers and managers and, subsequently, liquidators were 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 Bank enforcing loans made to investors in the schemes. To date one group proceeding has commenced, in respect of investors in 2 schemes against a number of parties including the Bank. It does not allege wrongdoing by the Bank. The risk of litigation will continue to be assessed on an ongoing basis.

Proceedings were commenced in August 2009 concerning the role of Sandhurst Trustees Limited, 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. The bank does not consider the legal claim to be materially adverse and will continue to monitor its proceedings.

(d) Contingent liabilities and contingent assets

	Consolidated		Parent	
	2010	2009	2010	2009
	$m	$m	$m	$m
Contingent liabilities				
Guarantees				
The economic entity has issued guarantees on behalf of clients	159.2	144.4	156.4	144.4
Other				
Documentary letters of credit & performance related obligations	20.3	27.2	20.1	27.2

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 2010, the economic entity does not have any contingent assets.

46. STANDBY ARRANGEMENTS AND UNCOMMITTED CREDIT FACILITIES

	Consolidated		Parent	
	2010	2009	2010	2009
	$m	$m	$m	$m
Amount available:				
Offshore borrowing facility	9,365.5	9,855.3	9,365.5	9,855.3
Domestic note program	5,500.0	5,000.0	5,000.0	5,000.0
Amount utilised:				
Offshore borrowing facility	239.8	707.4	239.8	707.4
Domestic note program	1,052.0	724.0	914.0	724.0
Amount not utilised:				
Offshore borrowing facility	9,125.7	9,147.8	9,125.7	9,147.8
Domestic note program	4,448.0	4,276.0	4,086.0	4,276.0

The Parent has a $US 5,000 million Euro Commercial Paper program of which $US 204.9m (2009: $US 150m) was drawn down as at 30 June 2010, and a $US 3,000 million Euro Medium Term Note program of which there were no draw downs (2009: EURO $300m) . As at 30 June 2010 the Parent has a $5,000 million Domestic Note Program of which $914.0 million (2009: $724m) was issued and the consolidated group has an additional $500 million Domestic Note Program through its subsidiary Rural Bank Limited of which $138.0m (2009:nil) was issued.

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	
	2010	2009
	$m	$m
Funds under trusteeship	2,713.9	2,649.7
Assets under management	1,932.9	2,408.8
Funds under management	1,771.1	2,082.5

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 9 August 2010 the Bank declared a final dividend, details of which are disclosed in the directors' report and in Note 10.

On the 9 August 2010 the Bank announced its intention, through the signing of a heads of agreement, to purchase 24 per cent of Linear Asset Management. This business will provide significant scope for growth in the banks wealth deposit and financing businesses.

On the 1 September 2010 the Bank announced that the discount for the dividend reinvestment plan will be reduced from 2.5 percent to zero for the final dividend payable on 30 September 2010. The Bank also intends to separately buy-back on-market a number of shares equal to the number of shares issued under the Dividend Reinvestment Plan. The number of shares to be bought back is expected to be 3.4 million with a maximum of 7.4 million.

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

(a) 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 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	1,471.6
Deferred tax assets	-	19.6
Other assets	0.6	-
Total Assets	1,497.8	1,521.2
Liabilities		
Deferred tax liabilities		3.6
Net identifiable assets and liabilities attributable to Bendigo and Adelaide Bank Limited	1,497.8	1,517.6
Total consideration		1,564.6
Fair value of identifiable assets and liabilities		(1,517.6)
Goodwill on acquisition		47.0
Intangible assets on acquisition		(7.7)
Final goodwill on acquisition		39.3

Goodwill

Goodwill arose in the business combination as the consideration paid for the combination effectively included amounts in relation to the skills and talent of the acquired business workforce, the benefit of expected head office and operational synergies, revenue growth and future market development.

These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be measured reliably or they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged either individually or together with any related contracts.

(b) Rural Bank

On 7 May 2009 Bendigo and Adelaide Bank acquired an additional 10% of shares in Rural Bank, increasing the Banks holding to 60%. From 1 October 2009 the shareholders agreement between Bendigo and Adelaide Bank Limited and Elders Limited resulted in the Bank gaining effective control, and significant judgement were made to determine the requirement to consolidate the joint venture. Total number of shares held in Rural Bank is 184,140,000 for the consideration amount of $252 million.

The principal activities of Rural Bank are to provide a wide range of banking services to agribusiness, rural and regional Australian communities.

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
Term Loans		
Fixed Loans	988.7	998.8
Variable Loans	1,870.8	1,870.8
Seasonal Loans & AgriManager	790.6	790.6
Specific Provisions	(10.3)	(10.3)
Unearned Income	(8.1)	(8.1)
Collective Provisioning	(3.0)	(3.0)
Securitisation	(95.4)	(95.4)
Cash	33.2	33.2
Financial Assets AFS	175.7	175.7
Financial Assets HTM	491.3	491.9
Derivatives	0.5	0.5
Other Debtors	6.5	6.5
Deferred Tax Assets	12.4	16.1
Intangible Assets	2.0	57.4
Fixed Assets	0.1	0.1
Total Assets	4,255.0	4,324.9
Liabilities		
Retail Deposit		
At Call	491.5	491.5
Term	1,996.2	2,002.1
Wholesale Deposit	77.9	78.0
Treasury Deposit	1,158.3	1,161.2
Subordinated Debt	117.4	120.9
Creditors	3.0	3.0
Other Payables	12.6	12.6
Derivatives	14.0	14.0
Provision for employee entitlements	4.1	4.1
Provision for income tax	9.0	9.0
Provision for dividends	25.6	25.6
Deferred Tax Liabilities	1.6	21.5
Total Liabilities	3,911.2	3,943.4
Net identifiable assets and liabilities attributable to Bendigo and Adelaide Bank Limited	343.9	381.5
Non-controlling interest in identifiable acquired net assets	(131.6)	(146.7)
Fair value of identifiable net assets attributable to parent	212.2	234.8
Cost of acquisition		252.3
Fair value adjustment		(0.7)
Cost of acquisition including fair value adjustment		251.6
Final goodwill on acquisition		16.8

The consolidated statement of comprehensive income includes income of $104.3 million and profit before tax $59.9 million for the year ending 30 June 2010.

Had the acquisition occurred at the beginning of the reporting period, the consolidated financial statement of comprehensive income would have included revenue of $139.0 million and a net profit before tax of $79.2 million.

BUSINESS COMBINATIONS (continued)

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.

(c) Tasmanian Banking Services Limited

On 10 August 2009, Bendigo and Adelaide Bank Limited acquired the additional 50% shareholding in Tasmanian Banking Services Limited. The total consideration paid was $6.5 million, which included the issue of 781,910 ordinary shares in Bendigo and Adelaide Bank at a fair value of $6.39 per share.
The cost of the acquisition includes directly attributable costs including consultancy, legal, accounting and other professional fees.

The principal activities of Tasmanian Banking Services are a wide range of banking products and services to its clients.

The current fair values of assets and liabilities are provisional and are subject to final review. This will alter the assets and liabilities as currently disclosed for 30 June 2010.

The following table shows the effect on the Group's assets and liabilities:

	Pre-acquisition carrying amount	Fair value at acquisition date
Assets	$m	$m
Cash and cash equivalents	0.9	0.9
Current tax assets	0.1	0.1
Other assets	0.9	0.9
Property, plant & equipment	0.9	0.9
Deferred tax assets	0.5	0.5
Total Assets	3.3	3.3
Liabilities		
Provisions	0.5	0.5
Other payables	0.2	0.2
Total Liabilities	0.7	0.7
Net identifiable assets and liabilities attributable to Bendigo and Adelaide Bank Limited		2.6
Consideration paid in cash		1.5
Cash acquired		(0.9)
Net cash outflow		0.6
Consideration		
Consideration paid in cash		1.5
Shares issued, at fair value		5.0
Total consideration		6.5
Fair value of identifiable assets and liabilities		2.6
Provisional Goodwill on acquisition		3.9

The consolidated statement of comprehensive income includes income of $18.0 million and profit before tax of $10.5 million for the year ending 30 June 2010.

Had the acquisition occurred at the beginning of the reporting period, the consolidated financial statement of comprehensive income would have included revenue of $18.9 million and a net profit before tax of $10.7 million

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.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Bendigo and Adelaide Bank Limited, we state that:

In the opinion of the Directors:

(a) the financial statements and notes of the Company and the Bendigo and Adelaide Group are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's and the Bendigo and Adelaide Group's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001; and

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2.2 and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

(d) 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 2010.

On behalf of the Board

Robert Johanson

Robert Johanson
Chairman

Mike Hirst
Managing Director

8 September 2010

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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 2010, and the income statement, statement of comprehensive income, statement of changes in equity 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.

ERNST & YOUNG

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 2010 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 50 to 72 of the directors' report for the year ended 30 June 2010. 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 2010, complies with section 300A of the *Corporations Act 2001.*

Ernst & Young

Ernst & Young

T M Dring
Partner
Melbourne

8 September 2010

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 9 August 2010.

2. AUDIT COMMITTEE

As at the date of the Directors' Report the economic entity had an audit committee of the Board of Directors.

3. CORPORATE GOVERNANCE PRACTICES

The corporate governance practices adopted by Bendigo and Adelaide Bank Limited are as detailed in the Corporate Governance section of this report.

4. SUBSTANTIAL SHAREHOLDERS

As at 20 August 2010 there were no substantial shareholders in Bendigo and Adelaide Bank Limited as detailed in substantial holdings notices given to the company.

5. DISTRIBUTION OF SHAREHOLDERS

Range of Securities as at 20 August 2010 in the following categories:

Category	Fully Paid Ordinary Shares	Fully Paid Employee Shares	BPS Preference Shares	Reset Preference Shares	Step Up Preference Shares
1 - 1,000	36,473	3,453	3,236	3,389	3,127
1,001 - 5,000	36,682	951	52	73	81
5,001 - 10,000	6,030	103	2	8	4
10,001 - 100,000	3,202	26	2	2	5
100,001 and over	96	3	1		
Number of Holders	82,483	4,536	3,293	3,472	3,217
Securities on Issue	354,513,322	6,853,423	900,000	894,574	1,000,000

6. MARKETABLE PARCEL

Based on the closing price of $8.73 on 20 August 2010 the number of holders with less than a marketable parcel of the Company’s main class of securities (Ordinary Shares), as at 20 August 2010 was 5,763.

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 20 August 2010 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	43,677,888	12.09%
2	JP Morgan Nominees Australia Limited	28,634,993	7.92%
3	National Nominees Limited	22,959,825	6.35%
4	Citicorp Nominees Pty Limited	7,680,691	2.13%
5	AMP Life Limited	6,526,702	1.81%
6	Milton Corporation Limited	4,626,636	1.28%
7	Cogent Nominees Pty Limited	3,846,216	1.06%
8	ANZ Nominees Limited <Cash Income A/C>	3,317,189	0.92%
9	Cogent Nominees Pty Limited <SMP Accounts>	3,278,812	0.91%
10	RBC Dexia Investor Services Aust Nominees Pty Limited <GSAM A/C>	2,075,886	0.57%
11	Queensland Investment Corporation	1,771,091	0.49%
12	RBC Dexia Investor Services Aust Nominees Pty Limited <Pipooled A/C>	1,359,816	0.38%
13	Choiseul Investments Limited	1,083,073	0.30%
14	Woodross Nominees Pty Ltd	990,579	0.27%
15	Invia Custodian Pty Limited <GSJBW Managed A/C>	839,620	0.23%
16	Carlton Hotel Limited	752,500	0.21%
17	Australian Reward Investment Alliance	701,840	0.19%
18	Leesville Equity Pty Ltd	677,740	0.19%
19	RBC Dexia Investor Services Aust Nominees Pty Limited <MLCI A/C>	583,528	0.16%
20	CS Fourth Nominees Pty Ltd <Unpaid A/C>	578,739	0.16%
		135,963,364	37.62%

BBS Nominees Pty Ltd, trustee for the Bendigo and Adelaide Employee Share Ownership Plan and Tasmanian Perpetual Trustees Limited, trustee for the Employee Share Grant Scheme, held a combined total of 6,853,423 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 20 August 2010 are:

FULLY PAID PREFERENCE SHARES		Number of fully paid	Percentage held of
Rank	**Name**	**Preference Shares**	**Issued Preference Capital**
1	JP Morgan Nominees Australia Limited	178,336	19.82%
2	Citicorp Nominees Pty Limited	23,425	2.60%
3	ANZ Nominees Limited <Cash Income A/C>	15,856	1.76%
4	RBC Dexia Investor Services Australia Nominees Pty Limited <GSENIP A/C>	7,836	0.87%
5	Cogent Nominees Pty Limited	7,744	0.86%
6	Dylac Pty Ltd	4,000	0.44%
7	Bruttown Pty Limited	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	James Bostock & Henry Taylor & 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	Sandhurst Trustees Ltd <JMFG Consol A/C>	2,200	0.24%
19	Mr Shaun Eric Sargent & Mr John Richard Green <The Friends School D/F A/C>	2,058	0.23%
20	Mr Graeme Edward Buckingham & Mrs Else Margrethe Buckingham <Buckingham S/F A/C>	2,046	0.23%
		272,988	30.32%

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 20 August 2010 are:

FULLY PAID RESET PREFERENCE SHARES		Number of fully paid	Percentage held of issued
Rank	Name	Reset Preference Shares	Reset Preference Capital
1	RBC Dexia Investor Services Australia Nominees Pty Limited <GSENIP A/C>	27,492	3.07%
2	MF Custodians Ltd	18,894	2.11%
3	Art Gallery Of NSW Foundation	10,000	1.12%
4	Questor Financial Services Limited <TPS RF A/C>	8,561	0.96%
5	Cogent Nominees Pty Limited	8,131	0.91%
6	ANZ Nominees Limited <Cash Income A/C>	6,072	0.68%
7	Edsgear Pty Limited	6,000	0.67%
8	The Synod of the Diocese of Adelaide of the Anglican Church of Australia Inc <No2 A/C>	6,000	0.67%
9	UBS Wealth Management Australia Nominees Pty Ltd	5,051	0.56%
10	National Nominees Limited	4,565	0.51%
11	Ritossa Holdings Pty Ltd <L Ritossa Furn PL S/F A/C>	4,472	0.50%
12	Mr Ian William Bailey & Mrs Gloria Jean Bailey <Bailey Family Super Fund A/C>	4,000	0.45%
13	Five Ways Pastoral Co Pty Ltd <Superannuation Fund A/C>	4,000	0.45%
14	Malvern Development Co Pty Ltd	4,000	0.45%
15	Dr Spencer David <David Family Inv Fund A/C>	3,860	0.43%
16	Baker Custodian Corporation	3,390	0.38%
17	The Invergow rie Foundation	3,350	0.37%
18	Austymca Nominees Pty Ltd <YMCA Super Fund A/C>	3,200	0.36%
19	Mr Wayne Thomson & Mrs Gabrielle Thomson <Thomson Pension Fund A/C>	3,023	0.34%
20	Australian Executor Trustees Limited <No 1 Account>	2,913	0.33%
		136,974	15.32%

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 20 August 2010 are:

FULLY PAID STEP UP PREFERENCE SHARES		Number of fully paid	Percentage held of issued
Rank	Name	Step Up Preference Shares	Step Up Preference Capital
1	National Nominees Limited	42,110	4.21%
2	JP Morgan Nominees Australia Limited	41,021	4.10%
3	RBC Dexia Investor Services Australia Nominees Pty Limited <MLCI A/C>	39,248	3.92%
4	ANZ Nominees Limited <Cash Income A/C>	11,314	1.13%
5	ABN Amro Clearing Sydney Nominees Pty Ltd <Next Custodian A/C>	10,657	1.07%
6	Returned Services League of Australia (Queensland Branch)	10,000	1.00%
7	Questor Financial Services Limited <TPS RF A/C>	6,178	0.62%
8	JGW Investments Pty Ltd	5,598	0.56%
9	Elecnet (Aust) Pty Ltd <Electrical Ind Sev Sch A/C>	5,530	0.55%
10	Wal Investments Pty Ltd	4,605	0.46%
11	Peroda Nominees Pty Limited <Berman Super Fund A/C>	4,504	0.45%
12	Rogand Pty Ltd <Rogand Unit A/C>	4,220	0.42%
13	Aileendonan Investments Pty Ltd	4,000	0.40%
14	HSBC Custody Nominees (Australia) Limited	3,972	0.40%
15	Baker Custodian Corporation	3,893	0.39%
16	The Trustees of the Diocese of Tasmania	3,670	0.37%
17	Moladi Pty Ltd <Kahrisky Super Fund A/C>	3,526	0.35%
18	Mr Brett Mcpherson Tulloch	3,000	0.30%
19	Motel Management Services Pty Limited <Belgravia A/C>	3,000	0.30%
20	Shore Nominees Limited	3,000	0.30%
		213,046	21.30%

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.