BENDIGO AND ADELAIDE BANK LIMITED

(ABN11 068049178)
(Incorporated with limited liability in Australia)

U.S.$3,000,000,000
EURO MEDIUM TERM NOTE PROGRAMME

On 15 May, 1998, Bendigo and Adelaide Bank Limited (formerly Bendigo Bank Limited) (the "Issuer" or the "Bank" or "Bendigo and Adelaide Bank") entered into a U.S.$500,000,000 Euro Medium Term Note Programme (the "Programme"). These Listing Particulars supersede any previous offering document, prospectus or supplements thereto. Any Notes (as defined herein) issued under the Programme on or after the date of these Listing Particulars are issued subject to the provisions herein as supplemented by the relevant Final Terms. These Listing Particulars do not affect any Notes already issued.

Under the Programme the Issuer may from time to time issue Notes denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.$3,000,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described herein. A description of the restrictions applicable at the date of these Listing Particulars relating to the maturity of certain Notes are set out on page 7. The Notes may be issued on a continuing basis to one or more of the Dealers specified on page 7 and any additional Dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis (each a "Dealer" and together the "Dealers"). References in these Listing Particulars to the "relevant Dealer" shall, in the case of an issue of Notes being (or intended to be) subscribed for by more than one Dealer, be to all Dealers agreeing to subscribe for such Notes. The Issuer has reserved the right to issue Notes to persons other than Dealers.

These Listing Particulars have been approved by the United Kingdom Financial Services Authority (the "UK Listing Authority") in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "Act") for Notes issued under the Programme for a period of twelve months after the date hereof to be admitted to the official list of the UK Listing Authority (the "Official List") and be admitted to trading on the Professional Securities Market of the London Stock Exchange (the "Market"). The Market is not a regulated market for the purposes of Directive 2004/39/EC (the "Markets in Financial Instruments Directive"). References in these Listing Particulars to the Notes being "listed" means that those Notes have been admitted to trading on the Market and have been admitted to the Official List.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of, the issue price of, and any other terms and conditions not contained herein which are applicable to, the Notes of each Tranche (as defined on page 28) will be set forth in a final terms document (the "Final Terms") which, with respect to Notes to be admitted to the Official List and to be admitted to trading on the Market, will be delivered to the UK Listing Authority and the London Stock Exchange on or before the date of issue of the Notes of such Tranche. The Programme provides that Notes may be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer (although these Listing Particulars do not constitute a base prospectus for the purposes of a listing or an admission to trading on any market in the European Economic Area which has been designated as a regulated market for the purposes of Directive 2003/71/EC (the "Prospectus Directive")). The Issuer may also issue unlisted Notes.

The Notes of each Tranche will initially be represented by a temporary global Note which will be deposited on the issue date thereof with a common depositary on behalf of Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg") and/or any other agreed clearing system and which will be exchangeable, as specified in the applicable Final Terms, for either a permanent global Note or Notes in definitive form, in each case upon certification as to non-U.S. beneficial ownership as required by U.S. Treasury regulations. A permanent global Note will only be exchangeable for definitive Notes upon the occurrence of certain events (unless otherwise specified in the applicable Final Terms), all as further described in "Form of the Notes" below.

The Issuer is as of 19 November 2010 rated by Standard & Poor's Ratings Services, a Division of the McGraw-Hill Companies, Inc. ("Standard & Poor's"), by Moody's Investors Service Pty Limited ("Moodys") and by Fitch Ratings Ltd ("Fitch"). Notes issued under the Programme may be rated or unrated. Where an issue of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Issuer. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

The Issuer and BNY Corporate Trustee Services Limited (the "Trustee", which expression shall include any successor as trustee) may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event (in the case of Notes admitted to the Official List) only supplementary listing particulars, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

Prospective investors should consider the risks outlined in these Listing Particulars under "Risk Factors" before making any investment decision in relation to the Notes.

Arranger
Deutsche Bank
Dealers

Deutsche Bank
Nomura

J.P. Morgan
The Royal Bank of Scotland

The date of these Listing Particulars is 19 November 2010

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IMPORTANT NOTICE

Listing Particulars

These Listing Particulars comprise listing particulars given in compliance with the requirements of the Financial Services and Markets Act 2000 and the Listing Rules Instrument 2005 by the UK Listing Authority for the purpose of giving information with regard to the Issuer and its subsidiaries (taken as a whole) and the Notes.

These Listing Particulars shall be read and construed in conjunction with any amendment or supplement hereto and with all documents which are deemed to be incorporated in it by reference (see "Documents Incorporated by Reference" below). Furthermore in relation to any Series of Notes, these Listing Particulars should be read and construed together with the relevant Final Terms.

Responsibility

The Issuer accepts responsibility for the information contained in these Listing Particulars. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in these Listing Particulars is in accordance with the facts and does not omit anything likely to affect the import of such information.

No independent verification

Neither the Arranger, nor the Dealers nor the Trustee have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Arranger, the Dealers or the Trustee as to the accuracy or completeness of the information contained in or incorporated by reference in these Listing Particulars or any other information provided by the Issuer in connection with the Programme. None of the Arranger, the Dealers and the Trustee accepts any liability for the information contained or incorporated by reference in these Listing Particulars or any other information provided by the Issuer in connection with the Programme. The statements made in this paragraph are made without prejudice to the responsibility of the Issuer under the Programme.

No authorisation

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or inconsistent with these Listing Particulars or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not and cannot be relied upon as having been authorised by the Issuer, the Arranger or any of the Dealers or the Trustee.

Subject as provided in the applicable Final Terms, the only persons authorised to use these Listing Particulars in connection with an offer of Notes are the persons named in the applicable Final Terms as the relevant Dealer or Manager as the case may be.

No offer

Neither these Listing Particulars nor any other information supplied in connection with the Programme or any Notes (i) are intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer, the Arranger or any of the Dealers or the Trustee that any recipient of these Listing Particulars or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer, and its purchase of Notes should be based upon such investigation as it considers necessary. Neither these Listing Particulars nor any other information supplied in connection with the Programme or the issue of any Notes constitute an offer or invitation by or on behalf of the Issuer, the Arranger or any of the Dealers to any person to subscribe for or to purchase any Notes. Each potential investor should also have regard to the factors described under the section headed "Risk Factors" below.

Currency of information

Neither the delivery of these Listing Particulars nor the offering, sale or delivery of any Notes shall at any time imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Arranger, the Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

Distribution

These Listing Particulars do not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of these Listing Particulars and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Arranger, the Dealers and the Trustee do not represent that this document may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Arranger or any Dealer or the Trustee (save as provided in the next sentence and save for the approval of this document as listing particulars by the UK Listing Authority) which is intended to permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither these Listing Particulars nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession these Listing Particulars or any Notes come must inform themselves about, and observe, any such restrictions on the distribution of these Listing Particulars and the offering and sale of Notes. In particular, there are restrictions on the distribution of these Listing Particulars and the offer or sale of Notes in the United States on the distribution of these Listing Particulars and the offering and sale of Notes, the European Economic Area (including the United Kingdom), Australia and Japan (see "Subscription and Sale" below).

Prospectus Directive Requirements

These Listing Particulars have been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a Relevant Member State) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering/placement contemplated in these Listing Particulars as completed by Final Terms in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

No registration

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the "Securities Act") and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (see "Subscription and Sale" below).

Stabilisation

In connection with the issue of any Tranche (as defined in the terms and conditions of the Notes), the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of the Stabilising Manager(s)) in the applicable Final Terms may outside Australia and on a market operating outside Australia over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of the Stabilising Manager(s)) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

References to Currencies

All references in this document to "Australian dollars", "A$", "$" and "cents" or "Q" refer to the currency of Australia, those to "U.S. dollars", "U.S.$" and "U.S. cent." refer to the currency of the United States of America, those to "sterling" and "£" refer to the currency of the United Kingdom and those to "euro" and "€" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

Legislation under which Issuer is formed.

Bendigo and Adelaide Bank Limited is a company limited by shares, incorporated and operating under the Corporations Act 2001 of Australia.

DOCUMENTS INCORPORATED BY REFERENCE

These Listing Particulars should be read and construed in conjunction with the audited consolidated financial statements (required by the Corporations Act 2001 of Australia ("Corporations Act")) of the Issuer for the financial year ended 30 June 2009 which are incorporated into these Listing Particulars by reference and which have been previously published (or are published simultaneously with these Listing Particulars) and have been filed with the Financial Services Authority.

Any document incorporated by reference into the document described above does not form part of these Listing Particulars.

Copies of documents incorporated by reference in these Listing Particulars can be obtained from the registered office of the Issuer and from the specified offices of the Paying Agents for the time being in London and Luxembourg.

APPLICABLE ACCOUNTING PRINCIPLES

As required by the Corporations Act, the financial statements referred to above have been prepared under Australian Accounting Standards and International Financial Reporting Standards ("IFRS").

SUPPLEMENTARY LISTING PARTICULARS

Following the publication of these Listing Particulars a supplement may be prepared by the Issuer and approved by the UK Listing Authority which will comprise supplementary listing particulars in accordance with section 81 of the Financial Services Markets Act 2000. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in these Listing Particulars or in a document which is incorporated by reference in these Listing Particulars. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of these Listing Particulars.

OVERVIEW OF THE PROGRAMME AND OF THE TERMS AND CONDITIONS OF THE NOTES

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of these Listing Particulars and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. This overview must be read as an introduction to these Listing Particulars and any decision to invest in the Notes should be based on a consideration of these Listing Particulars as a whole. These Listing Particulars should be read, in relation to any issue of Notes, in conjunction with the relevant Final Terms and, to the extent applicable, the Terms and Conditions of the Notes set out herein.

Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in these Listing Particulars have the same meanings in this overview.

Issuer:	Bendigo and Adelaide Bank Limited
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. These are set out under "Risk Factors" below. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme, see "Risk Factors".
Description:	Euro Medium Term Note Programme
Arranger:	Deutsche Bank AG, London Branch
Dealers:	Deutsche Bank AG, London Branch J.P. Morgan Securities Ltd. Nomura International plc The Royal Bank of Scotland plc
Legal and regulatory requirements:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "Subscription and Sale") including the following restrictions applicable at the date of these Listing Particulars.
Notes with a maturity of less than one year:	Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom or the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see "Subscription and Sale".
Trustee:	BNY Corporate Trustee Services Limited
Issuing and Principal Paying Agent (the "Agent"):	The Bank of New York Mellon, acting through its London Branch.
Programme Size:	Up to U.S.$3,000,000,000 (or its equivalent in other currencies calculated as described herein) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, such currencies as may be agreed between the Issuer, the relevant Dealer and the Trustee (as indicated in the applicable Final Terms).

Redenomination:	The applicable Final Terms may provide that certain Notes may be redenominated in euro.
Maturities:	Such maturities as may be agreed between the Issuer and the relevant Dealer and as indicated in the applicable Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price:	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	The Notes will be issued in bearer form as described in "Form of the Notes".
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer (as indicated in the applicable Final Terms) and on redemption and will be calculated on the basis of such Fixed Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s) (as indicated in the applicable Final Terms).
Floating Rate Notes:	Floating Rate Notes will bear interest at a rate determined: (i) on the same basis as the floating rate under a notional interest-rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (iii) on such other basis as may be agreed between the Issuer and the relevant Dealer, as indicated in the applicable Final Terms. The Margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.
Index Linked Notes:	Payments of principal in respect of Index Linked Redemption Amount Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer may agree (as indicated in the applicable Final Terms).
Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes:	Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both (as indicated in the applicable Final Terms). Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates and will be calculated on the basis of such Floating Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s) (as indicated in the applicable Final Terms).
Dual Currency Notes:	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer may agree (as indicated in the applicable Final Terms).

Zero Coupon Notes:	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest unless otherwise specified in the applicable Final Terms.
Partly Paid Notes:	Notes may be issued on a partly paid basis, in which case interest will accrue on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.
Redemption:	The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such terms as may be agreed between the Issuer and the relevant Dealer. The applicable Final Terms may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Final Terms. Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see "Notes with a maturity of less than one year"above.
Denomination of Notes:	Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer and as indicated in the applicable Final Terms save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, and save that the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency). Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes will be subject to restrictions on their denomination and distribution, see "Notes having maturity of less than one year" above.
Taxation:	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed within Australia, subject as provided in Condition 7. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 7, be required to pay additional amounts to cover the amounts so deducted (see Condition 7 "Taxation").
Negative Pledge:	None
Cross Default:	The terms of the Notes will contain a cross-default provision as further described in Condition 9(a).
Status of the Notes:	Notes and any relative Receipts and/or Coupons will be direct, unsecured and general obligations of the Issuer and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future (other than indebtedness preferred by mandatory provisions of law). See Condition 2.

Rating:	The Issuer is as of 16 November 2010 rated by Standard & Poor's, as of 11 November 2010, by Moody's and as of 12 November 2010, by Fitch. Notes issued under the Programme may be rated or unrated. Where an issue of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Issuer. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.
Listing:	Application has been made to the UK Listing Authority to admit Notes issued under the Programme to the Official List and to admit them to trading on the Market. The Notes may also be listed on such other or further stock exchange(s) or market(s) as may be agreed between the Issuer, the Trustee and the relevant Dealer in relation to each Series. Unlisted Notes may also be issued. The applicable Final Terms will state whether or not the relevant Notes are to be listed, and, if so, on which stock exchange(s) or market(s).
Governing Law:	The Notes will be governed by, and construed in accordance with, English law.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the United Kingdom), Australia, Japan and such other restrictions as may be required or in connection with the offering and sale of a particular Tranche of Notes. See "Subscription and Sale" below.

RISK FACTORS

Potential investors should consider the risks set out in this section entitled "Risk Factors" together with the other information contained in these Listing Particulars. Each investor should also conduct its own research and consider its investment position prior to purchasing any Notes.

This section contains a description of what the Issuer considers, to be the principal risk factors that are material to the Notes. They are not the only risks which the Issuer faces, they are only those which the Issuer considers to be material. It is possible that the Issuer is not aware of something that may present a risk or that a risk that it does not consider material is or becomes material. The Issuer accepts no liability for any loss suffered in relation to a risk not contained in this section.

These risk factors may not occur and the Issuer is not in a position to express any view on the likelihood of any one of these risks materialising. However, if any of these risks (or any other event not described below) were to occur, it is possible it could result in an investor losing the value of its entire investment or part or it.

References to "we", "us" and "the Group" are references to the Issuer. Other terms used in this "Risk Factors" section are defined in these Listing Particulars.

Risk factors associated with the Issuer and its business

(a) *Higher impairments in the Great Southern Managed Investment Schemes (the "Schemes") Investor Loans Portfolio than currently provided for*

As at 30 June 2010 Bendigo and Adelaide Bank had outstanding loan balances to investors in Schemes totalling $459.6 million, spread across 6,713 borrowers. On 16 May 2009, Great Southern Limited ("GSL") and many subsidiaries of GSL entered voluntary administration. This included the responsible entity of the Schemes, Great Southern Managers Australia Limited ("GSMAL") and a finance company Great Southern Finance Pty Ltd ("GSF"). On 18 May 2009, secured creditors appointed partners of McGrathNicol as Receivers and Managers (the "Receivers") of GSL and 11 of its subsidiary companies, including GSMAL. On 19 November 2009, creditors appointed partners of Ferrier Hodgson as Liquidators of the various Great Southern companies including GSL, GSMAL and GSF.

A total of $26.3 million has been provisioned by Bendigo and Adelaide Bank as at 30 June 2010 in specific and collective provisions relating to loans to borrowers to invest in the Schemes. This total includes $13.1 million in specific provisions (raised in the normal course of business after it becomes evident that any discrete full recourse loan is unlikely to be repaid in full) and $13.2 million in collective provisions representing the estimated losses from borrowers in the Schemes. The amount of the provisions may vary over time and the eventual write-off on the portfolio may exceed the current provisions.

In May 2010, the law firm Macpherson + Kelley issued class action proceedings seeking to set aside loans made available by Bendigo and Adelaide Bank to investors in two of the Schemes. Bendigo and Adelaide Bank applied to the Supreme Court of Victoria to have the claims struck out. On 20 October 2010, the Court struck out the claims in their entirety and awarded costs in favour of Bendigo and Adelaide Bank. Macpherson + Kelley have until 23 November 2010 to replead their claims.

On 30 September 2010, law firm DC Legal filed a class action seeking to set aside loans made available by Bendigo and Adelaide Bank to investors in certain plantation Schemes. On 22 October 2010, the Federal Court in Sydney made orders by consent that the class action be discontinued against Bendigo and Adelaide Bank and awarded costs in favour of Bendigo and Adelaide Bank on an indemnity basis.

The potential drivers of an increase in the provision or impairment include:

- credit factors, including a decline in the net assets held by borrowers since the loans were drawn down, or the inability of borrowers to realise value for their net assets; and
- legal factors, including a court finding that Bendigo and Adelaide Bank's right to repayment or recourse to borrowers is limited in any way;

Any material increase in the required provision or write-off may have an adverse effect on Bendigo and Adelaide Bank's financial performance, financial position, capital position, ability to pay dividends and share price.

(b) Economic conditions risk

Bendigo and Adelaide Bank's financial performance and financial position are primarily influenced by economic conditions in Australia, which is the key determinant of the level of lending (in particular personal home loans), the level and nature of financial services its customers require, and the cycles in lending and services growth and loan defaults and asset impairments.

Economic conditions in Australia are the product of a combination of domestic and international factors and events, including short and long term interest rates, business confidence and retail confidence. Changes in economic conditions could materially adversely affect the financial performance and financial position of Bendigo and Adelaide Bank, including:

- changes in inflation and interest rates, which in particular may reduce the net interest margin achieved in Bendigo and Adelaide Bank's banking operations or impact the demand for loans, in particular housing loans;
- increasing unemployment, which is a key driver of loan defaults and declining asset growth;
- declines in aggregate investment and economic output in Australia or in key offshore regions; and
- decline in asset prices, in particular housing prices, which could cause loan losses on defaulted loans.

The recent dislocation in credit and capital markets significantly impacted global economic activity including the Australian economy. This disruption led to a decrease in credit growth and a reduction in consumer and business confidence. There has been some economic recovery since the global financial crisis but the strength of the recovery is not yet certain. A further downturn in the Australian economy could further adversely impact Bendigo and Adelaide Bank's business, results of operations, liquidity, capital resources and financial condition.

(c) Liquidity and funding risks

Liquidity risk is the risk that Bendigo and Adelaide Bank has insufficient capacity to fund increases in assets, or is unable to meet its payment obligations as they fall due, including repaying depositors or maturing wholesale debt. Liquidity risk is inherent in all banking operations due to the timing mismatch between cash inflows and cash outflows. Funding risk is the risk of over-reliance on or lack of availability of any particular funding source affecting the availability of funds and their cost to Bendigo and Adelaide Bank. Liquidity and funding risks may be increased in periods of market stress, in the event of damage to market confidence in the funding institution, or in times of significant competition for funding (eg retail deposits), with these factors constraining the ability to access funding, or funding at viable pricing.

Since the second half of 2007, developments in the US sub-prime mortgage industry and in the US and European markets more generally have adversely affected the availability and pricing of funding in global and domestic credit and capital markets. This has resulted in significant challenges to the funding and liquidity profiles of many financial institutions.

Bendigo and Adelaide Bank has responded to these events and is actively managing its funding mix of customer deposits (72.0 per cent. of on and off balance sheet funding at 30 June 2010), wholesale borrowing (11.0 per cent. at 30 June 2010) and securitisation (17.0 per cent. at 30 June 2010). Recent funding strategy has been to:

- increase the percentage of customer deposits, which has enabled Bendigo and Adelaide Bank to be less reliant on the more expensive wholesale funding.
- access the Residential Mortgage Backed Security (RMBS) market for funding from the second half of 2007. Bendigo and Adelaide Bank has recently completed two RMBS transactions totalling A$2.6 billion.

It should be noted that any future deterioration in market conditions may limit the ability of Bendigo and Adelaide Bank to replace maturing liabilities and access capital in a timely manner necessary to fund and grow its business.

In the event that Bendigo and Adelaide Bank's current sources of funding prove to be insufficient or too expensive, it may be forced to seek alternative financing (to the extent such financing is available). The availability of such alternative financing will depend on a variety of factors, including prevailing market conditions, the availability of credit, Bendigo and Adelaide Bank's credit ratings and credit capacity. These alternatives may be more expensive or available on unfavourable terms.

If Bendigo and Adelaide Bank is unable to source appropriate funding, it may be forced to reduce its lending or begin to sell liquid securities (to the extent that a market in such securities is available) to solve its potential funding shortfall and possible liquidity mismatch. There is no assurance that Bendigo and Adelaide Bank would be able to obtain favourable prices on some or all of the securities it offers for sale.

Removal of the Australian government guarantee on retail deposits may have a material adverse effect on the ability of Bendigo and Adelaide Bank to maintain and grow its retail deposit base, which is the current key source of existing and new funding.

Global and domestic regulators have released proposals intended to strengthen liquidity requirements which, together with any risks arising from these regulatory changes, are set out in the risk factor entitled "Regulatory and Government Policy Risk".

Overall, the inability to obtain appropriate funding may materially adversely impact Bendigo and Adelaide Bank's financial performance, financial position, growth, liquidity, and capital resources.

(d) Market risk

Market risk is the risk of loss arising from changes and fluctuations in interest rates, foreign currency exchange rates, equity prices and indices, commodity prices, debt securities prices, credit spreads and other market rates and prices.

Changes in investment markets, including changes in interest rates, foreign currency exchange rates and returns from equity, property and other investments, will affect the financial performance of Bendigo and Adelaide Bank through its operations and investments held in financial services and associated businesses. Losses arising from these risks may have an adverse impact on Bendigo and Adelaide Bank's financial performance and financial position.

Declining asset prices may also impact customers and the value of security held against loans, which then may impact the returns if customers were to default. Any such declines in asset prices therefore may have a material adverse effect on Bendigo and Adelaide Bank's financial performance and financial position.

(e) Credit and impairment risk

As a financial institution, Bendigo and Adelaide Bank is exposed to the risks associated with extending credit to other parties. Credit risk is the risk of financial loss due to the unwillingness or inability of a counterparty to fully meet their contractual debts and obligations.

Bendigo and Adelaide Bank's lending activities cover a broad range of sectors and clients, including mortgages (including low document loans), portfolio funding, margin lending against equities, and commercial loans (including commercial property). Bendigo & Adelaide Bank also has an exposure to the credit risk associated with lending to the rural sector because of its shareholding in Rural Bank Ltd. Less favourable business or economic conditions, whether generally or in a specific industry sector or geographic region, could cause customers to experience an adverse financial situation, thereby exposing Bendigo and Adelaide Bank to the increased risk that those customers will fail to meet their obligations in accordance with agreed terms.

Recent market and economic conditions have led to increased impairment charges, and if these conditions deteriorate further, some customers and counterparties may experience higher levels of financial stress. As a result, Bendigo and Adelaide Bank has experienced, and may continue to experience, an increase in defaults and write-offs and may be required to further increase its provisioning. These may negatively impact Bendigo and Adelaide Bank's financial performance and financial position.

(f) Community Bank® model risks

The Community Bank® model is an integral part of Bendigo and Adelaide Bank's strategy and business model. Under the Community Bank® model, Community Bank® branches of Bendigo and Adelaide Bank operate in all states and territories within Australia. The branches are operated by companies that have entered into management agreements with Bendigo and Adelaide Bank to manage and operate a Community Bank® branch of Bendigo and Adelaide Bank. Under a standard management agreement, Bendigo and Adelaide Bank derives revenue through the Community Bank® model from the payment by licensees of license fees and other fees, as well as through revenue sharing arrangements. Bendigo and Adelaide Bank may also provide loans or funding support to the licensees. The staff members of licensees are trained by Bendigo and Adelaide Bank and, in some cases, are seconded from Bendigo and Adelaide Bank.

While Bendigo and Adelaide Bank considers carefully the suitability of potential licensees and the community undertakes extensive community campaigning and business planning processes, there can be no guarantee of the success of a Community Bank® branch. In particular, the Community Bank® model has only been in operation since 1998, and many Community Bank® branches have only been operating for a few years. As a growing network, a material portion of the network is relatively new and there are risks that may develop over time.

Poor performance by one or more licensees, or the termination of one or more management agreements, may cause: harm to the Bendigo and Adelaide Bank brand names; a loss in revenue or capital (for example, if Bendigo and Adelaide Bank has provided a loan or other funding support to a branch which is not able to be repaid in part or in full); and/or a reduction in the willingness of new licensees to open a Community Bank® branch. Separately or collectively these factors may have a material adverse impact on the financial position, financial performance and growth prospects of Bendigo and Adelaide Bank.

(g) Operational risk

Operational risk is the impact upon objectives resulting from inadequate or failed internal processes, people and systems, or from external events that are not covered by credit and market risk.

Whilst Bendigo and Adelaide Bank has operational risk management practices, its profitability will always be subject to a variety of operational risks including strategic and business decisions (including acquisitions), technology risk (including business systems failure), reputational risk (including damage to brands), fraud, non-compliance with legal and regulatory obligations, counterparty performance under outsourcing arrangements, business continuity planning, legal risk, data integrity risk, staff skills and performance, key person risk, financial product development and maintenance, and external events. One or more of these risks may have a material adverse impact on Bendigo and Adelaide Bank's financial position and financial performance.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that either Bendigo and Adelaide Bank or the Group will be unable to comply with its obligations as a company with securities admitted to the Official List.

(h) Regulatory and government policy risk

Bendigo and Adelaide Bank is subject to substantial regulatory and legal oversight in Australia and other countries where it trades, has subsidiaries or raises funds. The agencies with regulatory oversight of Bendigo and Adelaide Bank and its subsidiaries include, among others, the Australian Prudential Regulatory Authority ("APRA"), the 'Reserve Bank of Australia ("RBA"), the Australian Securities Exchange ("ASX"), the Australian Securities and Investments Commission ("ASIC") and the Australian Taxation Office ("ATO"). Failure to comply with legal and regulatory requirements may have a material adverse effect on Bendigo and Adelaide Bank and its reputation among customers and regulators and in the market.

Changes to laws, regulations or policies, including changes in interpretation or implementation of laws, regulations or policies, could affect Bendigo and Adelaide Bank in substantial and unpredictable ways. These may include required levels of bank liquidity and capital adequacy, limiting the types of financial services and products that can be offered, and/or reducing the fees which banks can charge on their financial services.

Following the global financial crisis, regulators have proposed changes to various pieces of regulation to strengthen the Financial Services Sector. The proposals relate to liquidity and capital requirements. The impact of these changes, if implemented, is not yet known. However it is possible that the changes will result in additional costs for Bendigo and Adelaide Bank, thereby affecting the Bank's financial results.

(i) Competition risk

The financial services industry in Australia is highly competitive and subject to significant change.

Bendigo and Adelaide Bank faces significant competition from both traditional banking groups and non-bank financial institutions, which compete vigorously for customer investments and deposits and the provision of lending and wealth management services. The effect of competitive market conditions may adversely impact the earnings, assets and capital position of Bendigo and Adelaide Bank.

(j) *Technology risk*

Technology plays an increasingly important role in the delivery of financial services to customers in a cost effective manner. Bendigo and Adelaide Bank's ability to compete effectively in the future will, in part, be driven by its ability to maintain an appropriate technology platform (including execution of new developments), for the efficient delivery of its products and services.

(k) *Litigation and contingent liabilities risk*

In the course of its operations Bendigo and Adelaide Bank may be subject to material litigation or governmental, legal or arbitration proceedings and other contingent liabilities which may adversely affect the financial position or financial performance of the Bank.

As noted in paragraph (a) above, Bendigo and Adelaide Bank has made available loans to a large number of investors to facilitate their investments in 24 managed investment schemes of which GSMAL was the responsible entity. Administrators and receivers and managers and, subsequently, liquidators were appointed to GSL and many of its subsidiaires, including GSMAL and GSF. The Bank has been notified that a number of investors in the Schemes may involve the Bank in legal proceedings in relation to the Schemes. As noted in paragraph (a), to date two class actions have been commenced. One of those proceedings was discontinued against by the Bank by consent. In the other proceeding, the pleadings were struck out and the claimant has until 23 November 2010 to re-plead its claims.

The Bank cannot currently predict the manner and timing of the resolution of the legal and arbitral proceedings disclosed above nor is it able to reliably quantify the outcome of any potential appeals, including in relation to the Schemes.

(l) *Trustee risk*

Part of the business of Sandhurst Trustees Limited ("Sandhurst"), a wholly-owned subsidiary of Bendigo and Adelaide Bank, is its trustee and custodian business. This includes custodial services, acting as trustee for debenture and convertible note issues, acting as trustee or responsible entity of unit trusts and managed investment schemes and acting as a trustee for retail superannuation funds. There are particular risks that apply to such a business. In particular, as a trustee or custodian, Sandhurst may generally be liable in its personal capacity (i.e. without a right of indemnity from the assets of the trust for which it is the trustee) for losses or damages caused as a result of negligence, fraud or breach of duty of Sandhurst or its officers. Further, as a trustee or custodian, the reputation of Sandhurst may be impacted adversely by the actions of its clients notwithstanding it has acted in good faith.

Sandhurst is the debenture trustee in respect of certain debentures issued by Fincorp Investments Limited (Receivers and Managers Appointed) (In Liquidation) ("FIL") and is custodian of the assets of the Fincorp Diversified Property Fund and Fincorp Enhanced Income Fund. Administrators were appointed to the Fincorp Group on 23 March 2007 and ASIC examined any potential wrongdoing by former directors and officers of the Fincorp Group and the role and conduct of advisors to those companies and other parties, including the role of Sandhurst as debenture trustee for FIL. In late August 2009, Slater & Gordon lodged a statement of claim in the Federal Court of Australia and served the claim on Sandhurst concerning its role as a debenture trustee. The position of Sandhurst has been reviewed by Bendigo and Adelaide Bank and Bendigo and Adelaide Bank does not believe that Sandhurst has been negligent, fraudulent or in breach of duty. Sandhurst filed a defence to the action in March 2010. The proceedings are currently on foot and Sandhurst continues to vigorously defend itself against the claim.

(m) *Strategic and acquisition risk*

General

Bendigo and Adelaide Bank regularly examines a range of corporate opportunities, including material acquisitions and disposals with a view to determining whether those opportunities will enhance the Group's financial performance and position. There are risks associated with strategic and business decisions made by Bendigo and Adelaide Bank in the ordinary course of business, including restructures, organic development initiatives or acquisitions and other corporate opportunities. Any restructure, initiative, acquisition or decision made in relation to other corporate opportunities could, for a variety of reasons, have a material adverse effect on Bendigo and Adelaide Bank's current and future financial position or performance.

Bendigo and Adelaide Bank may seek to grow in the future by merging with or acquiring other companies in the financial services industry. There can be no assurance that any merger or acquisition would have the anticipated positive results, including results relating to the total cost of integration, the time required to complete the integration, the amount of longer-term cost savings or the overall performance of the combined entity or an improved price for the Group's securities. Integration of a merged or acquired business can be complex and costly, sometimes including combining relevant accounting and data processing systems and management controls, as well as managing relevant relationships with employees, clients, suppliers and other business partners. Integration efforts could divert management attention and resources, which could adversely affect the Group's operations or results. A merger or acquisition may also result in business disruptions that cause the Group to lose customers or cause customers to remove their business from the Group to competing financial institutions.

Bendigo and Adelaide Bank may seek to sell or dispose of certain businesses in the future. This may result in a change in the operations of Bendigo and Adelaide Bank and cause Bendigo and Adelaide Bank to face risks, including operations and financial risks that could adversely affect Bendigo and Adelaide Bank's financial condition and results of operations. The Group's operating performance, risk profile or capital structure may also be affected by these corporate opportunities and there is a risk that any of the Group's credit ratings may be placed on credit watch or downgraded if these opportunities are pursued.

Adelaide Bank merger

In November 2007, Bendigo Bank finalised its merger with Adelaide Bank. As part of the merger, Bendigo and Adelaide Bank recognised an acquisition goodwill amount on the balance sheet of $1.4 billion. An impairment evaluation has recently been conducted of this goodwill and it has been determined that there is no impairment. Any future impairment of this goodwill may have a material adverse effect on Bendigo and Adelaide Bank's financial position and its ability to pay dividends.

(n) Joint venture risk

Some of Bendigo and Adelaide Bank's activities are conducted through joint ventures. These joint ventures are not controlled by Bendigo and Adelaide Bank and, while Bendigo and Adelaide Bank is represented on the board of those entities, the day-to-day operations of those joint ventures are not managed by Bendigo and Adelaide Bank. The governing documents for some of Bendigo and Adelaide Bank's joint ventures provide that key matters and decisions require the agreement of Bendigo and Adelaide Bank's joint venture partners. Bendigo and Adelaide Bank may be unable to reach agreement with its joint venture partners concerning these matters and any disagreements may affect the ability of a joint venture to function properly or distribute income to Bendigo and Adelaide Bank. In some cases, Bendigo and Adelaide Bank's arrangements with its joint venture partners may require Bendigo and Adelaide Bank to make an additional investment in the venture or to provide additional financing. Overall, the nature and obligations of the joint venture arrangements may impact Bendigo and Adelaide Bank's financial position and financial performance.

(o) Reduction in dividends risk

If the earnings and cash flows of Bendigo and Adelaide Bank are substantially reduced (for example, due to a decline in operating earnings or due to a large one-off or cumulative asset impairment or write-off), Bendigo and Adelaide Bank may not be in a position to pay dividends, which may in tum have an impact on the trading price of its shares. In addition dividends declared by Bendigo and Adelaide Bank are subject to APRA regulation.

(p) Credit ratings risk

The credit ratings assigned to Bendigo and Adelaide Bank by rating agencies are based on an evaluation of a number of factors, including its financial strength. In light of the current difficulties in the banking sector and financial markets, the rating agencies have indicated that they are monitoring global developments closely and that if conditions continue to deteriorate, they may downgrade the ratings outlook of some Australian banks. A credit rating downgrade could also be driven by the occurrence of one or more of the other risks discussed in these Listing Particulars or by other events. If Bendigo and Adelaide Bank fails to maintain its current corporate credit ratings, this could adversely affect its cost of funds and related margins, liquidity, competitive position and access to capital markets.

Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme

Risk factors associated with the Notes

These Listing Particulars do not constitute a recommendation to make an investment in Notes issued under the Programme ("Notes Investment") nor is it a complete description of the risks or benefits of a Notes Investment. As such, any person making a Notes Investment must familiarise itself with the potential risks of a Note Investment. This analysis must be completed with requisite skill, advice and in light of the investor's needs. Importantly:

(a) it is the responsibility of the investor to ensure it is properly informed and has made an appropriate assessment of whether it should make a Notes Investment;

(b) a Tranche or Series of Notes issued under this Programme may have different risks to earlier or later Tranches or Series issued under the Programme. The success or failure of any one Note Investment is not indicative of the success or otherwise of any other Note Investment. For example, certain Notes may be linked to variable factors outside the Issuer's or investor's control (such as Index Linked Notes) or may contain more complicated or less favourable terms. Risks associated with different types of Notes are discussed further below; and

(c) these Listing Particulars have a lower level of disclosure than a prospectus prepared for an issue of securities with a denomination of less than €50,000 or for admission on a regulated market.

Any person making a Notes Investment should:

(a) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(b) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(c) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless the potential investor has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Notes are unsecured

All Notes issued under the Programme are unsecured. Because of this, no recourse can be had to any third party to recover amounts that are not recoverable from the Issuer. In addition, under Australian insolvency law certain claims are given mandatory preference to the claims of unsecured creditors by operation of law. In making a Notes Investment, the investor is therefore relying on the ability of the Issuer to repay and pay (as relevant) the redemption price for the Notes and the coupon due under the Notes at the time it is due. This may be prior to the designated maturity of the Notes and in any event there is no obligation on the Issuer to make provision or contingencies for these payments, whether they become due prematurely or at the time specified under the Notes.

Notes may be subject to price stabilisation

Subject to applicable law, Notes may be subject to price stabilisation activities by the Stabilisation Manager(s) as detailed above under the heading "Stabilisation". There is no guarantee that price stabilisation activities will occur, or that if they do, that they will be successful.

Changes during the term of the Note

It is possible that changes may occur during the term of a Note that may affect the value of the Notes or the return an investor will receive from the Notes. These changes may also affect the ability to transfer the Note on the secondary market. By way of example, these changes include:

(a) (**change in Issuer's condition**): a change in the financial condition or rating of the Issuer or a change to the Issuer's legal status, control or tax residence;

(b) (**change in law**): a change in law of the law governing the Note. A change in law may mean that rights under the Notes at the time of the issue are altered or cease to exist and may otherwise negatively impact on the ability of a Noteholder to enforce its rights as they existed at the date of issue. Although legal opinions are given in relation to the laws of certain relevant jurisdictions at the time of issue, these are for the benefit of the Dealers and not the Noteholders and speak to the relevant laws as at the date of issue and not subsequently. The advisers providing the legal opinions have no obligation to notify the Issuer, the Dealers or any Noteholder of any change in law that impacts on the Notes;

(c) (**selling restrictions and taxation**): summaries of certain selling restrictions and withholding and other tax treatments are detailed in these Listing Particulars (see the "Sale and Subscription" and "Taxation" sections below). These restrictions and treatments are summaries only and should be read as such. The laws on which these summaries are based may be changed at any time (see the preceding paragraph for further concerns relating to change in law). Where the law relating to taxation changes this may also trigger an early redemption of the Notes. In addition, there could be further restrictions now or in the future on the ability of a person to make a Notes Investment or to utilise that investment for collateral purposes. These types of issues are not intended to be and are not dealt with in the summaries detailed above;

(d) (**waivers and amendments**): regardless of whether there is any change in law, there may be waivers or amendments to the terms of the Notes prior to their maturity. These may or may not require the Noteholders' consent depending on the terms of the Notes and where consent is required, may be decided by a designated majority of Noteholders, meaning a particular Noteholder cannot necessarily resist an amendment or waiver of which it does not approve;

(e) (**currency**): it is possible that the currency of certain jurisdictions may change during the terms of the Notes (for example, the Euro may be adopted in the United Kingdom). Where this is the case, legislation in the jurisdiction implementing the new currency may specify the date on and rate at which the currency is redenominated. The currency in which Notes are issued or in which interest and principal amounts are paid may also be devalued, which will decrease the relative worth of the Notes Investment;

(f) (**exchange controls**): jurisdictions in which payments under the Notes are made or in whose currency payments under the Notes are denominated may introduce exchange controls which may prevent or limit exchange or use of the currency in which payments under the Notes are made;

(g) (**interest rate conditions**): where Notes have a fixed rate and there is a change in interest rate conditions such that similar notes delivering a higher return are available in the market, although this may not impact on the return the investor was expecting, it may impact on the ability of the investor to transfer or trade the Notes Investment;

(h) (**default**): the Issuer or any party to a Programme Document (as defined in the Terms and Conditions of the Notes) (such as a Paying Agent, Australian Registrar or New Zealand Registrar) may default on its obligations under the Notes or the Programme Documents. In addition to impacting on the value and transferability of the Notes, it may also impact on the ability of the investor to recover the amounts due to the investor; and

(i) (**rating**): the credit ratings assigned to the Notes may not reflect the potential impact of all risks related to any trading market for, or trading value of, the Notes. In addition, actual or anticipated changes in the credit rating of the Issuer or of any Notes will generally affect any trading market for, or trading value of, the Notes. Further information in relation to ratings (including warnings as to reliance on them) can be found above (see the "Overview of the Programme" section).

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland adopted similar measures (a withholding system in the case of Switzerland).

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of tax, were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

Ability to trade Notes

In addition to the risks discussed above in relation to limits on trading Notes, there is no obligation on the Dealers to effect secondary sales of the Notes nor, where a secondary market has been created, to ensure it stays active. Therefore, there may not be a market for the Notes or that market may not produce the return the investor anticipated.

In addition, Noteholders should be aware of the prevailing and widely reported global credit market conditions (which continue at the date of these Listing Particulars), whereby there is a general lack of liquidity in the secondary market for instruments similar to the Notes. Such lack of liquidity may result in investors suffering losses on the Notes in secondary resales even if there is no decline in the performance of the assets of the Issuer. The Issuer cannot predict which of these circumstances will change and whether, if and when they do change, there will be a more liquid market for the Notes and instruments similar to the Notes at that time.

The Notes may be de-listed, which may materially affect an investor's ability to resell

Any Notes that are listed on the London Stock Exchange or any other listing authority, stock exchange or quotation system may be de-listed. If any Notes are de-listed, the Issuer is obliged to use its best endeavours to obtain promptly an alternative listing. Although no assurance is made as to the liquidity of the Notes as a result of listing on the London Stock Exchange or any other listing authority, stock exchange or quotation system, de-listing the Notes may have a material adverse effect on a Noteholder's ability to resell the Notes in the secondary market.

Because the Global Notes will be held by or on behalf of Euroclear and/or Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depositary for Euroclear and/or Clearstream, Luxembourg. Apart from the limited circumstances described in the relevant Global Note, investors will not be entitled to hold Notes in definitive form. Euroclear and/or Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes.

While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through Euroclear and/or Clearstream, Luxembourg. While the Notes are represented by one or more Global Notes, the Issuer will discharge its payment obligations under the Notes by making payments to the common depositary for Euroclear and/or Clearstream, Luxembourg for distribution to their relevant account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and/or Clearstream, Luxembourg to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by

Euroclear and/or Clearstream, Luxembourg system to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Notes will not have a direct right under the Global Notes to take enforcement action against the Issuer in the event of a default under the relevant Notes but will have to rely upon their rights under the Trust Deed.

References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Issuer, the Trustee and the Agent.

Risks associated with the Programme and different types of Notes

There are a variety of Notes that can be issued under this Programme. In addition to those types of Notes described in the section headed "Overview of the Programme" above, the Issuer may decide to issue a further type of Note. The Issuer can do this at any time, and it may be that the new Notes are more appropriate for a particular investor's needs than those the investor has purchased. Whether the Notes are of a type described in these Listing Particulars or a new type of Note, there is no requirement on the Issuer to inform Noteholders or those considering a Note Investment of the details of any further issue the Issuer may be contemplating, including any issue occurring simultaneously with or immediately following the issue for which the investor is subscribing.

An issue may not proceed

The Issuer may decide not to proceed with an issue of Notes under the Programme. Where this is the case, the investor will have no rights against the Issuer in relation to any expense incurred or loss suffered.

Characteristics that may be controlled by the Issuer

Certain Notes may have characteristics or events that are controlled at the discretion of the Issuer and this may limit their market value, particularly during any period where the Issuer may make an election. Examples of these types of Notes include where there is early redemption at the option of the Issuer or where the Issuer has the ability to change the interest rate from fixed to floating and *vice versa*, or the method of calculation of the interest rate. In addition, the Terms and Conditions of the Notes may also allow further logistical changes such as a change in the place of payment.

Where this is the case, the investor should assume that the Issuer would act in such a way as to maximise its return or improve its cost of funds and financial position. By way of example, where notes of a certain interest rate are subject to early redemption at the option of the Issuer, the Issuer may choose to redeem these Notes when it is able to issue other Notes or otherwise raise funds at a lower interest rate. This timing may not correlate to a time when the investor could reinvest its funds and earn the same or a higher rate of return. Similarly, if by changing from a fixed to floating rate (or *vice versa*) the Issuer is able to lower the coupon payments under the Notes, the Issuer may do so, subsequently lowering the return for the investor.

Notes with returns that are calculated with reference to a variable

Notes may have returns that are variable as a result of the method by which the coupon is calculated or of the way interest is paid. The most basic example of this are Notes where the interest rate is floating, and therefore subject to changes as a result of movements in the prevailing interest rate. More complex examples include Notes that are linked to the performance of an index, securities or commodities or a third party's credit position or Notes where the currency of coupon payments can be changed or is different to the currency in which the Notes are issued (each, a "Relevant Factor"). In these cases, the success or otherwise of the variable can impact significantly on the return under the Notes as well as the ability to trade the Notes on the secondary market. It should be expected that the value of the Notes and the secondary market for the Notes will decrease if the performance of the variable is less than anticipated. In addition, depending on the Terms and Conditions of the Notes, where the variable fails to meet a particular level of performance, amounts of principal and interest may be forfeited, reduced or paid in currencies other than that in which the amount is due.

Investors should also be aware that:

(a) the market price of such Notes may be volatile;

(b) they may receive no interest;

(c) payment of principal or interest may occur at a different time or in a different currency than expected;

(d) they may lose all or a substantial portion of their principal;

(e) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

(f) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and

(g) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

These risks depend on a number of inter-related factors, including economic, financial and political events over which the Issuer has no control.

The historical experience of a Relevant Factor such as an index should not be viewed as an indication of the future performance of that Relevant Factor during the term of a Note which is linked to that Relevant Factor. Accordingly, each potential investor should consult the potential investor's own financial and legal advisers about the risk entailed by an investment in any Notes with returns that are calculated with reference to a variable and the suitability of such Notes in light of the potential investor's particular circumstances.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes is tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Trading different types of Notes

It should be assumed that the market for trading different types of Notes varies even though they are issued under the same Programme. By way of example, a zero coupon note may be more difficult to trade and its price more variable than a fixed interest rate note, and it may be more difficult to trade a zero coupon note that has just been issued than a zero coupon note nearer its redemption.

Investors may lose rights in relation to amounts paid or to be paid

Depending on the Terms and Conditions of the Notes, an investor may forfeit its rights to have amounts paid or repaid or to collect its return on its investment. For example, where Notes are paid for in instalments by the investor, such as partly paid Notes, a failure to pay later instalments may result in a loss of the initial instalments already paid. In addition, if Notes are in definitive bearer form then the inability of the investor to produce the Note or coupon may result in it not receiving payments of interest or being able to redeem its Notes for the redemption price. There are also time limits placed on the ability of a Noteholder to bring a claim for interest by both the Terms and Conditions of the Notes and applicable laws.

Notes where denominations involve integral multiples: definitive Notes

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Legal investment considerations may restrict certain investments

The investment activates of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Issuer to fund general business lending. If, in respect of any particular issue of Notes which are derivative securities for the purposes of Article 15 of the Commission Regulation No 809/2004 implementing the Prospectus Directive, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

BENDIGO AND ADELAIDE BANK – CORPORATE PROFILE

Overview

Bendigo and Adelaide Bank is an Australian public limited company incorporated in Victoria, Australia on 1 July 1995 and is a publicly listed company on the Australian Securities Exchange (ASX).

Bendigo and Adelaide Bank provides banking and financial services primarily to retail customers and small to medium sized businesses. The principal activities of the Bank and its controlled entities are the provision of a range of banking and other financial services, including retail banking, mortgages distributed 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. Bendigo and Adelaide Bank is regulated by Australian Prudential Regulation Authority (***APRA***).

Bendigo and Adelaide Bank has headquarters in Bendigo, Victoria and Adelaide, South Australia with the registered office based in Bendigo. As at 30 June 2010, the Bank had an asset base of $52.1 billion. Bendigo and Adelaide Bank has approximately 450 branches, including approximately 260 Community Bank® branches. Bendigo and Adelaide Bank net profit attributable to the owners of the Parent was $242.6 million for the 12 months ending 30 June 2010.

Since 2003 the Bank has grown its customer base by approximately 60,000 new customers each year. This growth has allowed the Bank to adapt its funding mix to market conditions and reduces the Bank's reliance on global capital markets, which remain dislocated. Retail deposits now represent more than 85 per cent. of loans held on the Bank's balance sheet. The Bank will continue to leverage its retail distribution network as existing branches mature and as more branches are opened.

The Bank's activities are conducted through two main business segments: Retail Banking and Wealth and Third Party Banking. Retail Banking includes both company-owned and Community Bank® retail branches, business banking, financial markets, electronic banking and financial planning.

Business strategy

Bendigo and Adelaide Bank's strategy is built on its vision of being Australia's leading customer connected banking group.

Bendigo and Adelaide Bank aims to achieve this vision of providing a banking alternative by focusing upon a number of key principles:

- offering brands and solutions that are relevant to the customer;
- respecting customer choice, needs and objectives;
- building and distributing directly and via trusted relationships;
- striking a balance between risk and reward for all stakeholders to produce sustainable outcomes; and
- strengthening the Bank's balance sheet by strengthening the balance sheet of its customers, partners and communities.

Business profile

Retail Banking

The Retail business provides banking, wealth and risk management services to households and small to medium sized businesses. It is represented in all Australian states and territories with a strong presence in Victoria, South Australia and Queensland and an increasing presence in New South Wales and Western Australia. Bendigo and Adelaide Bank products and services are available through approximately 190 company-owned branches, approximately 260 community-owned Community Bank® branches of Bendigo and Adelaide Bank and approximately 100 agencies. The Community Bank® branches engage and involve communities in securing access to branch banking services. Essentially, a local publicly owned company invests in the rights to operate Bendigo and Adelaide Bank branches. Bendigo and Adelaide Bank supplies all banking and back office services while the community company operates the retail outlet. Revenue is shared, enabling communities to profit from their own banking and channel those profits back into community enterprise and development.

Wealth and Third Party Banking

The Bank has developed a partner-centric business model based on key strategic alliances and partnerships with mortgage brokers, mortgage managers, stockbrokers, financial planners and other third parties throughout Australia. The Third Party Mortgage Business has established itself as a product innovator specialising in loan product development, processing and wholesaling. The Wealth business includes Bendigo and Adelaide Bank's margin lending business, Leveraged Equities, plus the Adelaide Managed Funds and Sandhurst Trustees Funds Management businesses.

Joint venture businesses

The Bank’s joint venture businesses include Community Sector Banking (banking to Australia’s not-for-profit sector), Homesafe (promoter and distributor of equity release products), Community Telco Australia (telecommunications) and Strategic Payments Services (electronic payments services).

Operating subsidiaries

Bendigo and Adelaide Bank has a number of operating subsidiaries that contribute to the Group’s overall profit performance or provide required infrastructure including product manufacture, product import, or product service and distribution. The more significant subsidiaries include Sandhurst Trustees Limited, Rural Bank Limited (formerly Elders Rural Bank), Adelaide Managed Funds Limited, Leveraged Equities Limited, Victorian Securities Corporation Limited and Bendigo Financial Planning Limited.

Treasury

Treasury encompasses the following corporate functions

- Liquidity management
- Interest rate management
- Liability management
- Foreign exchange

Treasury manages the liquid assets of the Group and provides access to inter-bank markets for short and long term funding. Derivative and hedging activities primarily relate to balance sheet management activities.

The Bank does not set an objective of realising significant income from Treasury trading operations.

Debt Capital Markets

Debt Capital Markets provides the Group access to senior and subordinated medium and long term wholesale funding. Activity in both domestic and offshore debt capital markets is based on a consistent strategy of prudent diversification of wholesale funding sources including securitisation to supplement the Group’s commitment to a strong retail funding base.

Funding

The principal source of funding for the Bank is, and is expected to continue to be, its retail deposit base.

These deposits are traditional term and savings deposits sourced through the Group’s retail network. The Group believes that such deposits provide a stable source of retail funding and is committed to maintaining a strong retail liability base.

The Bank’s funding strategy is to maintain the existing high levels of retail funding on balance sheet. The Bank has objectives of (a) lengthening the duration of its liabilities; (b) continuing to diversify its funding opportunities across a range of markets; and (c) being an active participant in markets where funding opportunities exist and pricing is appropriate.

Securitisation has also formed an important part of the Bank’s funding and capital management strategies and the Bank will continue to monitor this market and participate where pricing is appropriate.

Offshore Facilities

The Euro Medium Term Note Programme (***EMTN Programme***) has not been active in the last 12 months.

The most recently issued notes under the EMTN Programme were repaid to investors on the 29 March 2010. The transaction was fully hedged through currency and basis swaps to eliminate exposure to currency and basis risk.

The Bank continues to monitor the appetite of offshore investors for Australian based issuers, with a view to further diversifying its investor base.

The Bank has a U.S.$5,000,000,000 Euro-Commercial Paper Programme. The Bank will utilise this programme to provide further short term offshore funding flexibility to support the EMTN Programme and domestic funding initiatives.

Capital Management Strategy

Bendigo and Adelaide Bank seeks to manage the Bank's capital base pro-actively to improve the overall cost of capital of the organisation and ultimately maximise returns to shareholders.

The Bank manages its capital requirements under the Basel II capital adequacy regime. The Basel II framework was implemented in Australia from 1 January 2008 under the guidance of APRA. The Basel II framework is based on three mutually reinforcing pillars:

- New and considerably more sophisticated minimum capital requirements (Pillar 1);
- Institutions' own assessments of their capital adequacy and enhanced supervision of capital management (Pillar 2); and
- Materially increased disclosure requirements (Pillar 3).

The Bank utilises the "standardised" methodology in calculating the capital adequacy requirements of the organisation. The Bank's capital requirements under Pillar 1 incorporate credit risk, operational risk and market risk.

Settlements

The Group's settlements department handles all back office processing. This operation is segregated from front office functions.

Directors

As at the date of these Listing Particulars the directors of the Bank are as set out below.

Robert Johanson
Terence O'Dwyer
Tony Robinson
Deborah Radford
Kevin Abrahamson
Jennifer Dawson
Michael Hirst
David Matthews
Jim Hazel

The business address of each director listed in the financial statements is:

The Bendigo Centre
Bendigo Victoria 3550
Australia

In accordance with the Constitution of the Bank, and under the terms of the Board Charter, the managing director has been delegated responsibility for the day-to-day management of the Bank and its subsidiary companies. The managing director has established an executive management committee, chaired by the managing director, which is responsible for the day-to-day management of the Group's operations and performance.

Executive Team

Michael Hirst – Managing Director
Russell Jenkins – Customer and Community
Stella Thredgold – Corporate Resources
Marnie Baker – Banking and Wealth

Tim Piper – Risk
Richard Fennell – Finance and Treasury
John Billington – Wealth and Third Party Banking
Andrew Watts – Organisational Change
Dennis Bice – Retail

The business address for each member of the executive team listed above is:

The Bendigo Centre
Bendigo Victoria 3550
Australia

Conflicts

There are no potential conflicts of interest between any duties of any director or senior executive to the Issuer and any private or other duty (including those listed above) of that director or senior executive.

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each global Note and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer(s) at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions (excluding the italicised paragraphs). The applicable Final Terms in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Temporary Global Note, Permanent Global Note and definitive Note. Reference should be made to "Form of the Notes" above for a description of the content of Final Terms which will include the definitions of certain terms used in the following Terms and Conditions or specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by Bendigo Bank Limited (ABN 11 068 049 178) (the "Issuer") constituted by a trust deed (such trust deed as modified and/or supplemented and/or restated from time to time, the "Trust Deed") dated 19 November 2010 between the Issuer and BNY Corporate Trustee Services Limited, formerly J.P. Morgan Trustee and Depositary Company Limited (the "Trustee", which expression shall include any successor as trustee).

References herein to the "Notes" shall be references to the Notes of this Series and shall mean:

(i) in relation to any Notes represented by a global Note, units of each Specified Denomination in the Specified Currency;

(ii) any definitive Notes issued in exchange for a global Note; and

(iii) any global Note.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) also have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the "Agency Agreement") dated 19 November 2010 and made between the Issuer, the Trustee, The Bank of New York Mellon (formerly JPMorgan Chase Bank, N.A.) as issuing and principal paying agent and agent bank (the "Agent", which expression shall include any successor agent specified in the applicable Final Terms) and the other paying agents named therein (together with the Agent, the "Paying Agents", which expression shall include any additional or successor paying agents).

Interest bearing definitive Notes (unless otherwise indicated in the applicable Final Terms) have interest coupons ("Coupons") and, if indicated in the applicable Final Terms, talons for further Coupons ("Talons") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Notes repayable in instalments have receipts ("Receipts") for the payment of the instalments of principal (other than the final instalment) attached on issue.

The Final Terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note and supplements these Terms and Conditions (the "Conditions") and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Conditions, replace or modify these Conditions for the purposes of this Note. References herein to the "applicable Final Terms" are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

The Trustee acts for the benefit of the holders for the time being of the Notes (the "Noteholders", which expression shall, in relation to any Notes represented by a global Note, be construed as provided below), the holders of the Receipts (the "Receiptholders") and the holders of the Coupons (the "Couponholders", which expression shall, unless the context otherwise requires, include the holders of the Talons), all in accordance with the provisions of the Trust Deed.

As used herein, "Tranche" means Notes which are identical in all respects (including as to listing) and "Series" means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices (as indicated in the applicable Final Terms).

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the specified office of each of the Trustee, the Agent and the other Paying Agents.

Copies of the applicable Final Terms are available for viewing at the registered office of the Issuer and at the principal office of the Agent. Copies may be obtained from those offices save that, if this Note is neither admitted to trading on a regulated market in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive, the applicable Final Terms will only be obtainable by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the Issuer, the Trustee, the relevant Paying Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the applicable Final Terms which are applicable to them.

Words and expressions defined in the Trust Deed or the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the Trust Deed, the Trust Deed will prevail and, in the event of inconsistency between the Agency Agreement or the Trust Deed and the applicable Final Terms, the applicable Final Terms will prevail.

1. Form, Denomination and Title

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Amount Note, an Instalment Note, a Dual Currency Note or a Partly Paid Note or a combination of any of the foregoing, depending upon the Interest/Payment Basis shown in the applicable Final Terms.

Definitive Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Terms and Conditions are not applicable.

Subject as set out below, title to the Notes, Receipts and Coupons will pass by delivery. The Issuer, the Trustee and any Paying Agent will (except as otherwise required by law) deem and treat the bearer of any Note, Receipt or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a global Note held on behalf of Euroclear Bank S.A./N.V., ("Euroclear") and/or Clearstream Banking, société anonyme ("Clearstream, Luxembourg"), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Trustee, the Agent and any other Paying Agent as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such Notes, for which purpose the bearer of the relevant global Note shall be treated by the Issuer, the Trustee, the Agent and any other Paying Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant global Note and the expressions "Noteholder" and "holder of Notes" and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular nominal amount of Notes as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned. Notes which are represented by a global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear or of Clearstream, Luxembourg, as the case may be.

References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Issuer, the Trustee and the Agent.

2. Status of the Notes

The Notes and any relative Receipts and/or Coupons are direct, unsecured and general obligations of the Issuer and rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future (other than indebtedness preferred by mandatory provisions of law including amounts given priority under the Banking Act 1959 of Australia (the "Banking Act") and the Reserve Bank Act 1959 of Australia (the "Reserve Bank Act")). The Notes, Receipts and Coupons will not be deposit liabilities in relation to protected accounts in Australia or otherwise, and will not otherwise benefit from any preferential priority under the Banking Act and the Reserve Bank Act.

3. Redenomination

Where redenomination is specified in the applicable Final Terms as being applicable, the Issuer may, without the consent of the Noteholders, the Receiptholders and the Couponholders, but after prior consultation with the Trustee, on giving prior notice to the Agent, the Trustee, Euroclear and/or Clearstream, Luxembourg and/or any additional or alternative clearing system referred to in the final paragraph of Condition 1 and at least 30 days' notice to the Noteholders in accordance with Condition 14, elect that, with effect from the Redenomination Date specified in the notice, the Notes shall be redenominated in euro.

The election will have the effect as follows:

(i) the Notes and the Receipts shall be deemed to be redenominated in euro in the denomination of €0.01 with a nominal amount for each Note and Receipt equal to the nominal amount of that Note or Receipt in the Specified Currency, converted into euro at the Established Rate, provided that, if the Issuer determines, after consultation with the Agent and with the prior written approval of the Trustee, that the then market practice in respect of the redenomination in euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Trustee, the Noteholders, the stock exchange (if any) on which the Notes are listed and the Paying Agents of such deemed amendments;

(ii) save to the extent that an Exchange Notice has been given in accordance with paragraph (iv) below, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate nominal amount of Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest €0.01;

(iii) if definitive Notes are required to be issued after the Redenomination Date, they shall be issued at the expense of the Issuer in the denominations of €1,000, €10,000, €100,000 and (but only to the extent of any remaining amounts less than €1,000 or such smaller denominations as the Trustee and the Agent may approve) €0.01 and such other denominations as the Trustee and the Agent shall determine and as shall be notified to the Noteholders.

(iv) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date on which the Issuer gives notice (the "Exchange Notice") that replacement euro-denominated Notes, Receipts and Coupons are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Notes and Receipts so issued will also become void on that date although those Notes and Receipts will continue to constitute valid exchange obligations of the Issuer. New eurodenominated Notes, Receipts and Coupons will be issued in exchange for Notes, Receipts and Coupons denominated in the Specified Currency in such manner as the Trustee and the Agent may specify and as shall be notified to the Noteholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Notes;

(v) after the Redenomination Date, all payments in respect of the Notes, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the Notes to the Specified Currency were to euro. Payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque;

(vi) if the Notes are Fixed Rate Notes and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated:

  (i) in the case of the Notes represented by a Global Note, by applying the Rate of Interest to the aggregate outstanding nominal amount of the Notes represented by such Global Note; and

  (ii) in the case of definitive Notes, by applying the Rate of Interest to the Calculation Amount;

  and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such subunit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding;

(vii) if the Notes are Floating Rate Notes, the applicable Final Terms specifies any relevant changes to the provisions relating to interest; and

(viii) such other changes shall be made to this Condition as the Issuer may decide, after consultation with the Agent and with the prior written approval of the Trustee, and as may be specified in the notice, to conform it to conventions then applicable to instruments denominated in euro. Any such other changes will not take effect until after they have been notified to the Noteholders in accordance with Condition 14.

In these Terms and Conditions, the following expressions have the following meanings:

"Established Rate" means the rate for the conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Union regulations) into euro established by the Council of the European Union pursuant to Article 140 of the Treaty;

"euro" means the currency introduced at the start of the third stage of economic and monetary union pursuant to the Treaty;

"Redenomination Date" means the date (being, in the case of interest-bearing Notes, a date for payment of interest) specified as such by the Issuer in the notice given to the Noteholders pursuant to paragraph (i) above of this condition and which falls on or after the date on which the country of the Specified Currency first participates in the third stage of European economic and monetary union or otherwise participates in European economic and monetary union in a manner with similar effect to such third stage; and

"Treaty" means the Treaty on the Functioning of the European Union, as amended.

4. Interest

(a) Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Fixed Rate(s) of Interest. Interest will be payable in arrear on the Fixed Interest Date(s) in each year up to and including the Maturity Date.

The first payment of interest will be made on the Fixed Interest Date next following the Interest Commencement Date and, if the first anniversary of the Interest Commencement Date is not a Fixed Interest Date, will amount to the Initial Broken Amount.

If the Maturity Date is not a Fixed Interest Date, interest from (and including) the preceding Fixed Interest Date (or the Interest Commencement Date, as the case may be) to (but excluding) the Maturity Date will amount to the Final Broken Amount.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

(A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Fixed Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

In these Terms and Conditions, "Fixed Day Count Fraction" means, in respect of the calculation of an amount of interest, in accordance with this Condition 4(a):

(i) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms:

  (a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Fixed Interest Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "Accrual Period") is equal to or shorter than the Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

  (b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

    (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; and

    (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(ii) if "30/360" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Fixed Interest Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with twelve 30-day months) divided by 360; and

"Determination Period" means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Fixed Interest Date is not a Determination Date, the period commencing on the first Determination Date, and ending on the first Determination Date falling after, such date); and

"sub-unit" means with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

(b) Interest on Floating Rate Notes and Index Linked Interest Notes

  (i) Interest Payment Dates

  Each Floating Rate Note and Index Linked Interest Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

    (A) the Interest Payment Date(s) in each year as specified in the applicable Final Terms (the period from (and including) the Interest Commencement Date to (but excluding) the first Interest Payment Date and each successive period from (and including) an Interest Payment Date to (but excluding) the next Interest Payment Date each being an "Interest Period"); or

    (B) if no express Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each an "Interest Payment Date") which falls on the number of months or other period specified as the Interest Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

  If a business day convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month on which an Interest Payment Date should occur, or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the business day convention specified is:

(1) in any case where Interest Periods are specified in accordance with Condition 4(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the number of months or other period specified as the Interest Period in the applicable Final Terms after the preceding applicable Interest Payment Date; or

(2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Terms and Conditions, “Business Day” means a day which is both:

(A) a day on which commercial banks and foreign exchange markets settle payments in London and any Additional Business Centre specified in the applicable Final Terms; and

(B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre and which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open. In these Terms and Conditions, “TARGET2 System”means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System.

(ii) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Final Terms.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this Condition 4(b)(ii)(A), “ISDA Rate” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the “ISDA Definitions”) and under which:

(1) the Floating Rate Option is as specified in the applicable Final Terms;

(2) the Designated Maturity is a period specified in the applicable Final Terms; and

(3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (“LIBOR”) or on the Euro-zone interbank offered rate (“EURIBOR”) for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms.

For the purposes of this Condition 4(b)(ii)(A):

(i) "Floating Rate", "Calculation Agent", "Floating Rate Option", "Designated Maturity" and "Reset Date" have the meanings given to those terms in the ISDA Definitions; and

(ii) "Euro-zone" means the region comprised of Member States of the European Union that adopt or have adopted the single currency in accordance with the Treaty.

(B) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

(iii) Minimum Rate of Interest and/or Maximum Rate of Interest

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 4(b)(ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 4(b)(ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) Determination of Rate of Interest and Calculation of Interest Amounts

The Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Agent will calculate the amount of interest (the "Interest Amount") payable on the Floating Rate Notes or Index Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to:

(A) in the case of Floating Rate Notes or Index Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Floating Rate Notes or Index Linked Interest Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Floating Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

"Floating Day Count Fraction" means, in respect of the calculation of an amount of interest for any Interest Period:

(i) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(ii) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

(iii) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

(iv) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(v) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30;

(vi) if "30E/360 (ISDA)" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date of (ii) such number would be 31, in which case D_2 will be 30;

(v) *Notification of Rate of Interest and Interest Amounts*

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee and any stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph, "London Business Day" means a day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for general business in London.

(vi) *Determination or Calculation by Trustee*

If for any reason the Agent or, where applicable, the Calculation Agent at any time after the Issue Date defaults in its obligation to determine the Rate of Interest or calculate any Interest Amount in accordance with Condition 4(b)(ii) or (iii) above, as the case may be, and, in each case, Condition 4(b)(iv) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum Interest Rate or Maximum Interest Rate specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Agent or such other person specified in the applicable Final Terms or, where applicable, the Calculation Agent.

(vii) Notifications to be Final

All notifications, communications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(b), whether by the Agent or, if applicable, the Calculation Agent or the Trustee, shall (in the absence of default, bad faith or manifest error by them or any of their directors, officers, employees or agents) be binding on the Issuer, the Agent, the Calculation Agent (if applicable), the other Paying Agents, the Trustee and all Noteholders, Receiptholders and Couponholders and (in the absence of default, bad faith or manifest error) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent or (if applicable) the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions under this Condition.

(c) Dual Currency Notes

In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the applicable Final Terms.

(d) Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

(e) Accrual of Interest

Each Note (or, in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed.

5. Payments

(a) Method of Payment

Subject as provided below:

(i) payments in a Specified Currency other than euro will be made by transfer to an account in the relevant Specified Currency maintained by the payee with, or by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency which, if the Specified Currency is New Zealand dollars, shall be Auckland; Provided that, if the Specified Currency is Australian dollars, payments will be made (A) by Australian dollar cheque drawn on a bank in Australia, or (B) by transfer to an Australian dollar account maintained by the payee with, a bank outside Australia or (C) (in the case of Notes held by Euroclear or Clearstream, Luxembourg) by transfer to such Australian dollar account maintained by Euroclear or, as the case may be, Clearstream, Luxembourg as Euroclear or, as the case may be, Clearstream, Luxembourg may from time to time specify; and

(ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7.

(b) Presentation of Notes, Receipts and Coupons

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in Condition 5(a) above only against surrender of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against surrender of Coupons, in each case at the specified office of any Paying Agent outside Australia and the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Payments of instalments of principal (if any), other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 5(a) above only against surrender of the relevant Receipt. Payment of the final instalment will be made in the manner provided in Condition 5(a) above only against surrender of the relevant Note. Each Receipt must be presented for payment of the relevant instalment together with the definitive Note to which it appertains. Receipts presented without the definitive Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive form (other than Dual Currency Notes or Index Linked Redemption Amount Notes) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the total principal amount due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note or Index Linked Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

If the due date for redemption of any definitive Note is not a Fixed Interest Date or an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Fixed Interest Date or Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

Payments of principal and interest (if any) in respect of Notes represented by any global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes and otherwise in the manner specified in the relevant global Note against presentation or surrender, as the case may be, of such global Note at the specified office of any Paying Agent outside Australia. A record of each payment made against presentation or surrender of such global Note, distinguishing between any payment of principal and any payment of interest, will be made on such global Note by such Paying Agent and such record shall be *prima facie* evidence that the payment in question has been made.

The holder of a global Note (or, as provided in the Trust Deed, the Trustee) shall be the only person entitled to receive payments in respect of Notes represented by such global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such global Note (or the Trustee, as the case may be) in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such global Note (or the Trustee, as the case may be). Without prejudice to Condition 10(b) no person other than the holder of such global Note (or, as provided in the Trust Deed, the Trustee) shall have any claim against the Issuer in respect of any payments due on that global Note.

Notwithstanding the foregoing, if any amount of principal and/or interest in respect of this Note is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of this Note will be made at the specified office of a Paying Agent in the United States if:

(i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;

(ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

(c) Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "Payment Day" means any day which is (subject to Condition 8):

(i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

    (A) in the case of Notes in definitive form only, the relevant place of presentation;

    (B) each Additional Financial Centre specified in the applicable Final Terms; and

(ii) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

(d) Interpretation of Principal and Interest

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(i) any Additional Amounts which may be payable with respect to principal under Condition 7 or pursuant to any undertakings given in addition thereto or in substitution therefore pursuant to the Trust Deed;

(ii) the Final Redemption Amount of the Notes;

(iii) the Early Redemption Amount of the Notes;

(iv) the Optional Redemption Amount(s) (if any) of the Notes;

(v) in relation to Notes redeemable in instalments, the Instalment Amounts;

(vi) in relation to Zero Coupon Notes, the Amortised Face Amount; and

(vii) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any Additional Amounts which may be payable with respect to interest under Condition 7 or pursuant to any undertakings given in addition thereto or in substitution therefore pursuant to the Trust Deed.

6. Redemption and Purchase

(a) At Maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

(b) Redemption for Tax Reasons

If the Issuer satisfies the Trustee immediately before the giving of the notice referred to below that (i) as a result of any change in, or amendment to, the laws or regulations of the Commonwealth of Australia or the State of Victoria or any political sub-division of, or any authority in, or of, the Commonwealth of Australia or the State of Victoria having power to tax, or any change in the application or official interpretation of the laws or regulations, which change or amendment becomes effective after the Issue Date of the first Tranche of the Notes, on the occasion of the next payment due in respect of the Notes the Issuer would be required to pay Additional Amounts as provided or referred to in Condition 7, and (ii) the requirement cannot be avoided by the Issuer taking reasonable measures available to it, the Issuer may, at its option, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable), redeem all the Notes, but not some only, at any time (if this Note is neither a Floating Rate Note nor a Dual Currency Interest Note nor an Index Linked Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note, a Dual Currency Interest Note or an Index Linked Interest Note) provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that the requirement referred to in (i) above will apply on the occasion of the next payment due in respect of the Notes and cannot be avoided by the Issuer taking reasonable measures available to it and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above, in which event it shall be conclusive and binding on the Noteholders, Receiptholders and Couponholders. Upon the expiry of any notice as is referred to in this paragraph the Issuer shall be bound to redeem the Notes to which the notice refers in accordance with the provisions of this paragraph.

Notes redeemed pursuant to this Condition 6(b) will be redeemed at their Early Redemption Amount referred to in Condition 6(e) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(c) Redemption at the Option of the Issuer

If the Issuer is specified in the applicable Final Terms as having an option to redeem, the Issuer shall, having given:

(i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 14; and

(ii) not less than 15 days before the giving of the notice referred to in (i), notice in writing to the Trustee and the Agent,

(which notices shall be irrevocable), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount or not more than a Higher Redemption Amount, in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed ("Redeemed Notes") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, in the case of Redeemed Notes represented by a global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "Selection Date"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 6(c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 at least five days prior to the Selection Date.

(d) Redemption at the Option of the Noteholders

If the Noteholders are specified in the applicable Final Terms as having an option to redeem, upon the holder of any Note giving to the Issuer in accordance with Condition 14 not less than 15 nor more than 30 days' notice or such other period of notice as is specified in the applicable Final Terms the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, in whole (but not in part), such Note on the Optional Redemption Date and at the Optional Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms together (if appropriate) with interest accrued to (but excluding) the Optional Redemption Date. It may be that before the Noteholders redeem any of the Notes, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Final Terms.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a "Put Notice") and in which the holder must specify a bank account outside Australia (or, if payment is by cheque, an address (which is outside Australia)) to which payment is to be made under this Condition accompanied by, if this Note is in definitive form, this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. If this Note is represented by a global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear and Clearstream, Luxembourg or any common depositary for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if this Note is represented by a global Note, present or procure the presentation of the relevant Global Note to the Agent for notation accordingly.

(e) Early Redemption Amounts

For the purpose of Condition 6(b) above and Condition 9, the Notes will be redeemed at the Early Redemption Amount calculated as follows:

(i) in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;

(ii) in the case of Notes (other than Zero Coupon Notes but including Instalment Notes and Partly Paid Notes) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Notes are denominated, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the Final Terms, at their nominal amount; or

(iii) in the case of Zero Coupon Notes, at an amount (the "Amortised Face Amount") calculated in accordance with the following formula:

Early Redemption Amount = RP 6 (1+AY)x where: "RP" means the Reference Price; and "AY" means the Accrual Yield expressed as a decimal; and

"x" is a fraction the numerator of which is equal to the number of days (calculated on the basis on a 360-day year consisting of twelve months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360,

or on such other calculation basis as may be specified in the applicable Final Terms.

(f) Instalments

If the Notes are repayable in instalments, they will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 6(e) above.

(g) Partly Paid Notes

If the Notes are Partly Paid Notes, they will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Final Terms.

(h) Purchases

The Issuer or any of its Subsidiaries (as defined in the Trust Deed) may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation.

(i) Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts and Coupons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and the Notes purchased and cancelled pursuant to Condition 6(h) above (together with all unmatured Receipts and Coupons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

(j) Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 6(a), (b), (c) or (d) above or upon its becoming due and repayable as provided in Condition 9 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 6(e)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and repayable were replaced by references to the date which is the earlier of:

(i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

(ii) the fifth day after the date on which the full amount of the moneys payable has been received by the Agent or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 14.

7. Taxation

All payments in respect of the Notes, Receipts and Coupons by the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("Taxes") imposed or levied by or on behalf of the Commonwealth of Australia or the State of Victoria, or any political sub-division of, or any authority in, or of, the Commonwealth of Australia or the State of Victoria having power to tax, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts ("Additional Amounts") as may be necessary in order that the net amounts received by the Noteholders, Receiptholders and Couponholders after such withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes or, as the case may be, Receipts or Coupons in the absence of the withholding or deduction; except that no Additional Amounts shall be payable in relation to any payment in respect of any Note, Receipt or Coupon:

(i) to, or to a third party on behalf of, a holder who is liable to the Taxes in respect of the Note, Receipt or Coupon by reason of his having some connection with the Commonwealth of Australia or the State of Victoria other than the mere holding of the Note, Receipt or Coupon or receipt of principal or interest in respect thereof provided that such a holder shall not be regarded as being connected with the Commonwealth of Australia for the reason that such a holder is a resident of the Commonwealth of Australia within the meaning of the Income Tax Assessment Act 1936 as amended and replaced (the "Australian Tax Act") where, and to the extent that, such tax is payable by reason of Section 128B(2A) of the Australian Tax Act; or

(ii) presented for payment more than 30 days after the Relevant Date except to the extent that a holder would have been entitled to Additional Amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Payment Date; or

(iii) on account of Taxes which are payable by reason of the Noteholder and/or Receiptholder and/or Couponholder being an associate of the Issuer for the purposes of Section 128F of the Australian Tax Act; or

(iv) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any European Union Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(v) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union; or

(vi) on account of Australian interest withholding tax imposed as a result of a determination by the Commissioner of Taxation of the Commonwealth of Australia that such tax is payable under the Australian Tax Act in circumstances where the Noteholder, Receiptholder or Couponholder is party to or participated in a scheme to avoid such tax where the Issuer was neither a party to nor participated in; or

(vii) presented for payment by or on behalf of a holder who is an Australian resident or a non-resident who is engaged in carrying on business in Australia at or through a permanent establishment of that non-resident in Australia, if that person has not supplied an appropriate tax file number, Australian business number or other exemption details; or

(viii) presented by or on behalf of a holder, if the holder of such Note, Receipt or Coupon is a resident of Australia, or a non-resident who is engaged in carrying on business in Australia at or through a permanent establishment of that non-resident in Australia (the expressions "resident of Australia", "non-resident" and "permanent establishment" having the meanings given to them by the Australian Tax Act) if, and to the extent that, Section 126 of the Australian Tax Act (or any equivalent provisions) requires the Issuer to pay income tax in respect of interest payable on such Note, Receipt or Coupon and the income tax would not be payable were the holder or such entity not such a resident of Australia or non-resident.

As used herein, the "Relevant Date" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent or the Trustee on or before the due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14.

8. Prescription

The Notes, Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7) therefore, subject as provided in Condition 5(b).

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5(b) or any Talon which would be void pursuant to Condition 5(b).

9. Events of Default

(a) If any of the following events occurs the Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject to being indemnified to its satisfaction), give notice to the Issuer that the Notes are, and they shall thereupon immediately become, due and repayable, at their Early Redemption Amount together with accrued interest as provided in the Trust Deed:

   (i) the Issuer fails to pay any principal or any interest in respect of the Notes within five days of the relevant due date;

   (ii) the Issuer defaults in performance or observance of or compliance with any of its other obligations set out in the Notes or the Trust Deed, which default is in the opinion of the Trustee incapable of remedy or, if in the opinion of the Trustee is capable of remedy, is not in the opinion of the Trustee remedied within 14 days (or such longer period as the Trustee may permit) after notice requiring such default to be remedied shall have been given to the Issuer by the Trustee;

   (iii) it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under the Notes, the Trust Deed or the Agency Agreement;

   (iv) the Issuer (A) becomes insolvent, is unable to pay its debts as they fall due or fails to comply with a statutory demand (which is still in effect) under Section 459F of the Corporations Act, or (B) stops or suspends or threatens to stop or suspend payment of all or a material part of its debts, or appoints an administrator under Section 436A of the Corporations Act, or (C) begins negotiations or takes any proceeding or other step with a view to re-adjustment, rescheduling or deferral of all its indebtedness (or any part of its indebtedness which it will or might otherwise be unable to pay when due) or proposes or makes a general assignment or an arrangement or composition with or for the benefit of its creditors, or a moratorium is agreed or declared in respect of or affecting indebtedness of the Issuer, except in any case referred to in (C) above for the purposes of a solvent reconstruction or amalgamation the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders;

(v) an order is made or an effective resolution is passed for the winding up of the Issuer, except in any such case for the purposes of a solvent reconstruction or amalgamation the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders or an administrator is appointed to the Issuer by a provisional liquidator of the Issuer under Section 436B of the Corporations Act;

(vi) a distress, attachment, execution or other legal process is levied, enforced or sued out against or on the Issuer or against all or a material part of the assets of the Issuer in respect of any Financial Indebtedness of the Issuer and is not stayed, satisfied or discharged within 14 days or otherwise contested in *bona fide* proceedings;

(vii) any present or future Security Interest(s) on or over the assets of the Issuer becomes enforceable and any step (including the taking of possession or the appointment of a receiver, manager or similar officer which is not vacated or discharged within 14 days or where the proceedings are being contested in good faith such longer period as the Trustee may agree) is taken to enforce that Security Interest by reason of a default or event of default (howsoever described) having occurred;

(viii) any event occurs which, under the laws of any relevant jurisdiction has an analogous or equivalent effect to any of the events mentioned in this Condition; or

(ix) any Financial Indebtedness of the Issuer which in aggregate exceeds A$5,000,000 (or its equivalent in any other currency or currencies):

  (A) is not paid when due (or, if payable or to be discharged or honoured on demand, when demanded); or

  (B) becomes due and repayable before its scheduled maturity by reason of a default or event of default (howsoever described),

provided that except in the case of Condition 9(a)(i), (iv) and (v), the Trustee shall first have certified that, in its opinion, such event is materially prejudicial to the interests of the Noteholders.

(b) For the purposes of these Terms and Conditions:

(i) "Corporations Act" means the Corporations Act 2001 of Australia;

(ii) "Financial Arrangement" includes a currency swap, an interest rate swap, a forward exchange rate agreement, a forward interest rate agreement or a futures contract or futures option (each within the meaning of Section 9 of the Corporations Act) or any other option agreement or combination of the above or any similar arrangement;

(iii) "Financial Indebtedness" means, in respect of any person, any indebtedness, present or future, actual or contingent of that person in respect of moneys borrowed or raised or any financial accommodation or Financial Arrangement whatsoever including (without limiting the generality of the foregoing):

  (A) under or in respect of any Guarantee, bill, acceptance or endorsement or any discounting arrangement;

  (B) in respect of any obligation to pay par value, premium and dividend (whether or not declared, and whether or not there are sufficient profits or other moneys for payment) of any redeemable share or stock issued by that person or to purchase any share or stock issued by that person which is the subject of a put option against that person;

  (C) in respect of any Lease which under current accounting practice would be required to be capitalised on the balance sheet of the lessee;

(D) the deferred purchase price (for more than 90 days) of any asset or service and any related obligation; and

(E) in respect of any obligation to deliver goods or services which are paid for in advance by a financier or which are paid for in advance in relation to any financing transaction;

(iv) "Government Agency" means any government or any governmental, semi-governmental or judicial entity or authority;

(v) "Guarantee" means any guarantee, indemnity, letter of credit, surety ship or any other obligation (whatever called and of whatever nature):

(A) to pay or to purchase; or

(B) to provide funds (whether by the advance of money, the purchase of or subscription for shares or other securities, the purchase of assets, rights or services, or otherwise) for the payment or discharge of; or

(C) to indemnify against the consequences of default in the payment of; or

(D) otherwise to be responsible for,

any obligation or indebtedness, any dividend, capital or premium on shares or stock or the insolvency or the financial condition of any other person;

(vi) "Lease" means:

(A) any lease, charter or hiring arrangement of any property;

(B) any other agreement under which any property is or may be used or operated by a person other than the owner; and

(C) any agreement under which any property is or may be managed or operated for or on behalf of the owner or another person by a person other than the owner, and the operator or manager or its related body corporate (as defined in Section 9 of the Corporations Act) (whether in the same or another agreement) is required to make or assure minimum, fixed and/or floating rate payments of a periodic nature,

(other than agreements under which the manager of a joint venture uses assets owned by the joint venture on behalf of the joint venture); and

(viii) "Security Interest" includes any mortgage, pledge, lien or charge or any security or preferential interest or arrangement of any kind (including, without limitation, retention of title and any deposit of money by way of security), but excluding (i) any charge or lien arising in favour of any Government Agency by operation of statute (provided there is no default in payment of moneys owing under such charge or lien), (ii) a right of title retention in connection with the acquisition of goods in the ordinary course of business on the terms of sale of the supplier (provided there is no default in connection with the relevant acquisition) and (iii) any security or preferential interest or arrangement arising under or created pursuant to any right of set-off.

10. Enforcement

(a) The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer as it may think fit to enforce the provisions of the Trust Deed, the Notes, the Receipts and the Coupons, but it shall not be bound to take any proceedings or any other action in relation to the Trust Deed, the Receipts, the Notes or the Coupons unless (i) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-fifth in nominal amount of the Notes then outstanding, and (ii) it shall have been indemnified to its satisfaction.

(b) No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

11. Replacement of Notes, Receipts, Coupons and Talons

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

12. Agent and Paying Agents

The names of the initial Agent and the other initial Paying Agents and their initial specified offices are set out below.

The Issuer is, with the prior written approval of the Trustee, entitled to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

(i) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of such stock exchange or other relevant authority;

(ii) there will at all times be a Paying Agent with a specified office in a city approved by the Trustee in Europe;

(iii) there will always be a Paying Agent in an EU Member State that will not be obligated to withhold or deduct tax pursuant to European Council Directive 2003/48/ EC on the taxation of savings income or any law implementing that Directive; and

(iv) there will at all times be an Agent.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the final paragraph of Condition 5(b). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 14.

13. Exchange of Talons

On and after the Fixed Interest Date or the Interest Payment Date, as appropriate, on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 8. Each Talon shall, for the purposes of these Conditions, be deemed to mature on the Interest Payment Date or Fixed Interest Date, as the case may be, on which the final Coupon comprised in the Coupon sheet in which that Talon was included on issue matures.

14. Notices

All notices regarding the Notes shall be published in a leading English language daily newspaper of general circulation in London (expected to be the Financial Times). The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or any other relevant authority on which the Notes are for the time being listed or by which they have been admitted to listing. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all the required newspapers. If publication as provided above is not practicable, notice will be given in such other manner and shall be deemed to have been given on such date, as the Trustee may approve. Receiptholders and Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to Noteholders in accordance with this Condition.

Until such time as any definitive Notes are issued, there may (provided that, in the case of Notes listed on a stock exchange or admitted to listing by another relevant authority, such stock exchange or any other relevant authority permits), so long as the global Note(s) is or are held in its/their entirety on behalf of Euroclear and Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the holders of the Notes. Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Agent. Whilst any of the Notes are represented by a global Note, such notice may be given by any Noteholder to the Agent via Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

15. Meetings of Noteholders, Modification and Waiver

(a) Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution of any of these Terms and Conditions or any of the provisions of the Trust Deed. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons present whatever the nominal amount of the Notes held or represented by him or them, except that at any meeting, the business of which includes the modification of certain of these Terms and Conditions and certain of the provisions of the Trust Deed, the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned meeting, not less than one-third, of the nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders will be binding on all Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of notes of other Series in certain circumstances where the Trustee so decides.

(b) Modification and Waiver

The Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Terms and Conditions or any of the provisions of the Trust Deed which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders or to any modification which is of a formal, minor or technical nature or to correct a manifest error or an error which, in the opinion of the Trustee is proven.

(c) Entitlement of Trustee

In connection with the exercise by it of any of its trusts, powers or discretions (including, without limitation, any modification, waiver or authorisation), the Trustee shall have regard to the interests of the Noteholders as a class and, in particular but without limitation, shall not have regard to the consequences of the exercise of its trusts, powers or discretions for individual Noteholders, Receiptholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the Issuer or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders, Receiptholders or Couponholders except to the extent already provided for in Condition 7 and/or any undertaking given in addition to, or in substitution for, Condition 7 pursuant to the Trust Deed.

(d) Notification

Any modification, waiver or authorisation shall be binding on the Noteholders, the Receiptholders and the Couponholders and, unless the Trustee agrees otherwise, any modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 14.

16. Substitution

The Trustee may, without the consent of the Noteholders, the Receiptholders or the Couponholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Notes, the Receipts, the Coupons and the Trust Deed of another company, being any Subsidiary of the Issuer, subject to (i) the Notes being unconditionally and irrevocably guaranteed by the Issuer, (ii) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution, and (iii) certain other conditions set out in the Trust Deed being complied with.

17. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction.

18. Contracts (Rights of Third Parties) Act 1999

The Notes confer no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes, but this does not affect any right or remedy of a third party which exists or is available apart from that Act.

19. Further Issues

The Issuer is at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes ranking *pari passu* in all respects (or in all respects save for the first payment of interest thereon) and so that the same shall be consolidated and form a single Series with the outstanding Notes.

20. Governing Law and Submission to Jurisdiction

(a) Governing Law

The Trust Deed, the Agency Agreement, the Notes, the Receipts and the Coupons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Agency Agreement, the Notes, the Receipts and the Coupons are governed by, and will be construed in accordance with, English law.

(b) Jurisdiction

The Issuer has in the Trust Deed irrevocably agreed for the benefit of the Trustee, the Noteholders, the Receiptholders and the Couponholders that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Notes, the Receipts or the Coupons and that accordingly any suit, action or proceedings arising out of or in connection therewith (together referred to as "Proceedings") may be brought in the courts of England.

The Issuer has in the Trust Deed irrevocably and unconditionally waived and agreed not to raise any objection which it may have now or subsequently to the laying of the venue of any Proceedings in the courts of England and any claim that any such Proceedings have been brought in an inconvenient forum and has further irrevocably and unconditionally agreed that a judgment in any Proceedings brought in the courts of England shall be conclusive and binding upon the Issuer and may be enforced in the courts of any other jurisdiction. Nothing in this Condition shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

(c) Agent for service of process

The Issuer has in the Trust Deed irrevocably and unconditionally appointed Law Debenture Corporation Limited at its office in London currently at 5th floor, 100 Wood Street, London EC2V 7EX as its agent for service of process in England in respect of any Proceedings and has undertaken in the Trust Deed that in the event of its ceasing so to act it will appoint such other person as the Trustee may approve as its agent for that purpose.

FORM OF THE NOTES

The Notes of each Series will be in bearer form and will be initially a temporary global Note (a "Temporary Global Note") or if so specified in the applicable Final Terms a permanent global note ("a Permanent Global Note") which will be delivered on or prior to the original Issue Date of the Tranche to a common depositary (the "Common Depositary") for Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, société anonyme, ("Clearstream, Luxembourg"). Upon issue of the Tranche, Euroclear or Clearstream, Luxembourg, as the case may be, will credit each purchaser's account with a nominal amount of Notes equal to the nominal amount thereof for which the purchaser has subscribed and paid. Whilst any Note is represented by a Temporary Global Note, payments of principal and interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Agent.

On or after the date (the "Exchange Date"), which is 40 days after the completion of the distribution of the relevant Tranche, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant lead manager (in the case of a syndicated issue) (the "distribution Compliance Period"), but, if such Temporary Global Note is issued in respect of a Tranche of Notes described as Partly Paid Notes in the applicable Final Terms, only if the final instalment on all such outstanding Notes has been paid, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a permanent global note of the same Series or (ii) definitive Notes of the same Series with, where applicable, receipts, Coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Final Terms) in each case against certification of beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for definitive Notes is improperly withheld or refused.

Payments of principal and interest (if any) or any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the Permanent Global Note without any requirement for certification. The applicable Final Terms, will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, receipts, Coupons and talons attached upon the occurrence of an Exchange Event. For these purposes, "Exchange Event" means that (i) an Event of Default has occurred and is continuing, or (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no alternative clearing system approved by the Trustee is available or (iii) the Issuer has or will become obliged to pay additional amounts as provided for or referred to in Condition 7 which would not be required were the Notes represented by the Permanent Global Note in definitive form and a certificate to such effect signed by two Directors of the Issuer is given to the Trustee. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) or the Trustee may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Agent requesting exchange. Any such exchange shall occur not later than 60 days after the date of receipt of the first relevant notice by the Agent.

The following legend will appear on all Notes which have an original maturity of more than 365 days and on all receipts and Coupons relating to such Notes:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on such Notes, receipts or Coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or Coupons.

Notes which are represented by a global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Pursuant to the Agency Agreement (as defined under "Terms and Conditions of the Notes") the Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN by Euroclear and Clearstream, Luxembourg which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until at least the expiry of the Distribution Compliance Period applicable to the Notes of such Tranche.

For so long as any of the Notes is represented by a global Note held on behalf of Euroclear and/or Clearstream, Luxembourg each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Trustee and the paying agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant global Note shall be treated by the Issuer, the Trustee and the paying agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant global Note and the expressions "Noteholder" and "holder of Notes" and related expressions shall be construed accordingly.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Issuer, the Trustee and the Agent and specified in the applicable Final Terms.

FORM OF APPLICABLE FINAL TERMS

Set out below is a pro forma Final Terms which, subject to completion and amendment, will be issued in respect of issues of Notes under the Programme. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.

NB: Each tranche of Notes admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive is required to have a minimum denomination of not less than €100,000 or its equivalent in any other currency.

Final Terms dated [ ]

BENDIGO AND ADELAIDE BANK LIMITED
(ABN 11 068 049 178)

ISSUE OF [AGGREGATE NOMINAL AMOUNT OF TRANCHE] [TITLE OF NOTES]

UNDER THE U.S.$3,000,000,000

EURO MEDIUM TERM NOTE PROGRAMME

PART A – CONTRACTUAL TERMS

Terms used in this document are deemed to be defined as such for the purposes of the Conditions set forth in the Listing Particulars dated 19 November 2010 [and the supplemental Listing Particulars dated [***date***]] *which* [*together*] *constitute listing particulars for the purpose of Chapter 4 of the Financial Services Authority Listing Rules. This document constitutes the Final Terms of the Notes described in it and must be read in conjunction with the Listing Particulars* [*as so supplemented*]. *The Listing Particulars* [*and the supplemental Listing Particulars*] [*are*] available for viewing at the website of the Regulatory News Service operated by the London Stock Exchange at http//www.londonstockexchange.com/en-gb/pricenews/marketnews under the name of the Issuer and the headline "*Publication of Prospectus*" *and copies may be obtained from* the offices of the Trustee in London currently at 5th floor, 100 Wood Street, London EC2V 7EX.

[*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote guidance for completing the Final Terms.*]

[*When completing any Final Terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute "significant new factors" which require a supplement to the Listing Particulars.*]

1.	Issuer:	Bendigo and Adelaide Bank Limited
2.	(i) Series Number:	[ ]
	(ii) Tranche Number:	[ ] (*if fungible with an existing Series, details of that Series, including the date on which the Notes become fungible*)
3.	Specified Currency or Currencies:	[ ]
4.	Aggregate Nominal Amount:	
	(i) Series:	[ ]
	(ii) Tranche:	[ ]
5.	Issue Price:	[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (if applicable)] *(If the Notes are derivative securities, include amount of expenses and taxes charges to subscriber or purchaser)*
6.	(i) Specified Denomination(s):	[ ] *(Note – where multiple denominations above [€100,000] or equivalent are being used the following sample wording should be followed:*

"[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].")

(Minimum denomination must be €100,000 (or its equivalent in other currencies calculated in accordance with the requirements (if any) in the relevant EEA State.))

(If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination must be £100,000 or its equivalent in another currency unless it does not otherwise breach section 19 of FSMA.)

(ii) Calculation Amount: [ ] (If only one Specified Denomination,) insert the Specified Denomination

If more than one Specified Denomination insert the highest common factor. N.B. There must be a common factor in the case of two or more Specified Denominations.

7. (i) Issue Date: [ ]

(ii) Interest Commencement Date: [*specify*/Issue Date/Not Applicable]
(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)

8. Maturity Date: [*Fixed Rate – specify date/Floating Rate Notes – Interest Payment Date falling in or nearest to the relevant month and year*]

9. Interest Basis: [ ] per cent. Fixed Rate]

[Specify reference rate +/– [ ] per cent. Floating Rate]

[Zero Coupon]

[Index Linked Interest]

[Dual Currency Interest Rate]

[*specify other*]

(further particulars specified below)

10. Redemption/Payment Basis: [Redemption at par]

[Index Linked Redemption]

[Dual Currency Redemption]

[Partly Paid]

[Instalment]

[*specify other*]

(N.B. If the Final Redemption Amount is less than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and, under Chapter 4 of the Listing Rules, the requirements of Annex XII of the Prospectus Directive Regulation will apply.)

11.	Change of Interest or Redemption/Payment Basis:	[*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*]
12.	Put/Call Options:	[Investor Put] [Issuer Call] [(further particulars specified below)]
13.	(i) Status of Notes:	Senior
	(ii) [Date [Board] approval for issuance of Notes obtained:	[ ] [and [ ], respectively] *(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)*
14.	Method of distribution:	[Syndicated/Non-syndicated]

Provisions relating to Interest (if any) payable

15.	*Fixed Rate Note Provisions*	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Fixed Rate(s) of Interest:	[ ] per cent. per annum [payable annually/semi-annually/quarterly/monthly/other (*specify*)] in arrear.] *(If payable other than annually consider amending Condition 4)*
	(ii) Interest Payment Date(s):	[ ] in each year [adjusted in accordance with [*Specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"that is not already provided for in the Conditions*]/not adjusted] *(N.B. This will need to be amended in the case of long or short coupons).*
	(iii) Fixed Coupon Amount(s): *(Applicable to Notes in definitive form)*	[ ] per Calculation Amount
	(iv) Broken Amount(s): *(Applicable to Notes in definitive form)*	[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]
	(v) Day Count Fraction:	[30/360] /[Actual/Actual (ICMA)/*other*]
	(vi) [Determination Dates:	[ ] in each year *(Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon.* *N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))*
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/*give details*]
16.	*Floating Rate Note Provisions*	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Interest Period(s)/Specified Interest Payment Dates:	[ ]

(ii)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
(iii)	Additional Business Centre(s):	[Not Applicable/*give details*]
(iv)	Manner in which the Rate(s) of Interest and Interest Amount is/are to be determined:	[Screen Rate Determination/ISDA Determination/other (*give details*)]
(v)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Agent):	[ ]
(vi)	Screen Rate Determination:	
	– Reference Rate:	[ ] *(For example, LIBOR or EURIBOR)*
	– Interest Determination Date(s):	[ ] *(For example, second London business day prior to the start of each Interest Period of LIBOR- (other than sterling or euro LIBOR, first day of each Interest Period of sterling LIBOR) and the second day on which the TARGET System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR.)*
	– Relevant Screen Page:	[ ] *(In the case of EURIBOR, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
(vii)	ISDA Determination:	
	– Floating Rate Option:	[ ]
	– Designated Maturity:	[ ]
	– Reset Date:	[ ]
(viii)	Margin(s):	[+/–] [ ] per cent. per annum
(ix)	Minimum Rate of Interest:	[ ] per cent. per annum
(x)	Maximum Rate of Interest:	[ ] per cent. per annum
(xi)	Day Count Fraction:	[Actual/Actual (ISDA) Actual/365 (fixed) Actual/360 30/360 30E/360 30E/360 (ISDA) *Other*] (See Condition 4 for alternatives)
(xii)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[Not Applicable/*give details*]
17.	*Zero Coupon Note Provisions*	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraph of this paragraph)*
(i)	[Amortisation/Accrual] Yield:	[ ] per cent. per annum

	(ii) Reference Price:	[ ]
	(iii) Any other formula/basis of determining amount payable:	[ ]
18.	*Index Linked Interest Note/other variable linked Note Provisions*	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Index/Formula/other variable:	(*Give or annex details*)
	(ii) Calculation Agent responsible for calculating the Rate of Interest and/or Interest Amount (if not the Agent) (name and address):	[ ]
	(iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable:	[ ]
	(iv) Determination Date(s):	[ ]
	(v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[*Need to include a description of market disruption or settlement disruption events and adjustment provisions*]
	(vi) Interest or calculation periods:	[ ]
	(vii) Specified Interest Payment Dates:	[ ]
	(viii) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
	(ix) Additional Business Centre(s):	[Not Applicable/*give details*]
	(x) Minimum Rate of Interest:	[ ] per cent. per annum
	(xi) Maximum Rate of Interest:	[ ] per cent. per annum
	(xii) Day Count Fraction:	[ ]
19.	*Dual Currency Interest Note Provisions*	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Rate of Exchange/method of calculating Rate of Exchange:	[*Give details*]
	(ii) Party, if any, responsible for calculating the principal and/or interest due (if not the Agent):	[ ]
	(iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[*need to include a description of market disruption or settlement disruption events and adjustment provision*]
	(iv) Person at whose option Specified Currency/Currencies is/are payable:	[ ]

Provisions relating to redemption

20.	*Call Option*	[Applicable/Not Applicable]
		(If not applicable, delete the remaining sub-paragraphs of this paragraph)
	(i) Optional Redemption Date(s):	[ ]
	(ii) Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[ ] per Calculation Amount/*specify other*/see Appendix]
	(iii) If redeemable in part:	
	(a) Minimum Redemption Amount:	[ ]
	(b) Maximum Redemption Amount:	[ ]
	(iv) Notice period (if other than as set out in the Conditions):	[ ]
		(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agents or the Trustee)
21.	*Put Option*	[Applicable/Not Applicable]
		(If not applicable, delete the remaining sub-paragraphs of this paragraph)
	(i) Optional Redemption Date(s):	[ ]
	(ii) Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[ ] per Calculation Amount/*specify other*/see Appendix]
	(iii) Notice period (if other than as set out in the Conditions):	[ ]
		(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agents or the Trustee)
22.	*Final Redemption Amount*	[[ ] per Calculation Amount/*specify other*/see Appendix]
	In cases where the Final Redemption Amount is Index-Linked or other variable-linked:	[*give or annex details*]
	(i) Index/Formula/variable:	[ ]
	(ii) Calculation Agent responsible for calculating the Final Redemption Amount:	[ ]
	(iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable:	[ ]
	(iv) Determination Date(s):	[ ]

	(v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[*Need to include a description of market disruption or settlement disruption events and adjustment provisions*]
	(vi) Payment Date:	[ ]
	(vii) Minimum Final Redemption Amount:	[ ]
	(viii) Maximum Final Redemption Amount:	[ ]
23.	*Early Redemption Amount*	
	Early Redemption Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[[ ] per Calculation Amount/*specify other*/see Appendix] (If early redemption is variable linked (eg index linked) then additional information needs to be added to this section.)

General provisions applicable to the Notes

24.	Form of Notes:	[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes only upon an Exchange Event] [Temporary Global Note exchangeable for Definitive Notes on or after the Exchange Date] [Permanent Global Note exchangeable for Definitive Notes only upon an Exchange Event] *(N.B. The Specified Denomination construction which provides for language substantially to the following effect to be included in paragraph 6: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]" is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)*
25.	Additional Financial Centre(s) or other special provisions relating to Payment Dates:	[Not Applicable/*give details*.] *(Note that this paragraph relates to the date and place of payment, and not Interest Period end dates, to which paragraph 16(v) and sub-paragraph 18(ix))*
26.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
27.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details*]
28.	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	[Not Applicable/*give details*]
29.	Redenomination:	Redenomination [not] applicable [*If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates)*]

30.		Other final terms:	[Not Applicable/*give details*] *(When adding any other final terms consideration should be given as to whether such terms constitute "significant new factors" and consequently require a supplement)* *(Consider including a term providing for tax certification if required to enable interest to be paid gross by issuers.)*

Distribution

31.	(i)	If syndicated, names [and addresses] of Managers [and underwriting commitments]:	[Not Applicable/*give names, [addresses and commitments]*] [*Addresses of Managers and details of underwriter only required if the Notes fall within Annex XII.*] [*If Notes fall within Annex XII, include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.*]
	[(ii)	Date of [Subscription] Agreement:]	[ ] [*Only required if the Notes fall within Annex XII*]
	(ii)	Stabilising Managers (if any):	[Not Applicable/*give name*]
32.		U.S. Selling Restrictions:	[Reg. S Compliance Category: TEFRA D/TEFRA C/TEFRA A not applicable]
33.		If non-syndicated, [name and address] of Dealer:	[Not Applicable/*give name and address*]
34.		Additional selling restrictions:	[Not Applicable/*give details*]

Post Issuance Reporting

[*If Notes fall within Annex XII, include a statement as to whether the Issuer intends to provide post issuance information and, where this is the case, specify what will be reported and where it can be obtained.*]

[Listing And Admission To Trading Application

These Final Terms comprise the final terms required to have admitted to the Official List of the FSA and admitted to trading to the Professional Securities Market of the London Stock Exchange plc, the issue of Notes described in this document pursuant to the U.S.$3,000,000,000 Euro Medium Term Note Programme of Bendigo Bank Limited.]

Responsibility

The Issuer accepts responsibility for the information contained in these Final Terms. [*Information on underlying assets*] has been extracted from [specify source]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.

Signed on behalf of Bendigo and Adelaide Bank Limited:

By ....
Duly authorised officer

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(i) Listing/Admission to trading:	[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange's Professional Securities Market and listing on the Official List of the UK Listing Authority with effect from [ ].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange's Professional Securities Market and listing on the Official List of the UK Listing Authority with effect from [ ].] [Not Applicable.]
(ii) Estimate of total expenses related to admission to trading:	[ ]

2. RATINGS

Ratings:	The Notes to be issued have been rated: [S&P:[ ]] [Fitch: [ ]] [Moodys: [ ]] [[Other]: [ ]] *(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

3. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]]

[Save for any fees payable to the Managers/Dealers, so far as the Issuer is aware, no person involved in the issue/offer of the Notes has an interest material to the issue/offer. – *Amend as appropriate if there are other interests.*

[*(When adding any other description, consideration should be given as to whether such matters described constitute "a significant change or significant new matter" and consequently trigger the need for a supplement to the Listing Particulars under section 81 of the Financial Services and Markets Act 2000.*)]]

4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

(i) [Reasons for the offer	[ ] *(This section 4 is only required if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies pursuant to Chapter 4 of the Listing Rules and when the reasons for the offer are not making a profit and/or hedging certain risks.)* *(See "Use of Proceeds" wording in the Listing Particulars – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)]*
(ii) [Estimated net proceeds:	[ ] *(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)]*
(iii) [Estimated total expenses:	[ ] (*Include breakdown of expenses*)]

5. YIELD *(Fixed Rate Notes only)*

Indication of yield:	[ ] As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

6. HISTORIC INTEREST RATES *(Floating Rate Notes only)*

[Details of historic [LIBOR/EURIBOR/other] rates can be obtained from [Reuters].]

7. PERFORMANCE OF INDEX/FORMULA, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING *(Index-Linked Notes or other variable linked Notes only)*

[*Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained.*]

[*Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information.*]

[*(When completing the above paragraphs, consideration should be given as to whether such matters described constitute "a significant change or significant new matter" and consequently trigger the need for a supplement to the Listing Particulars under section 81 of the Financial Services and Markets Act 2000.)*]

The Issuer [intends to provide post-issuance information [*specify what information will be reported and where it can be obtained*]] [does not intend to provide post-issuance information]

[*Need to include information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation including the exercise price or the final reference price of the underlying, the type of underlying and where information in relation to the underlying can be obtained, a description of market or settlement disruption events and adjustment rules.*] [*This section 7 is only required if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies pursuant to Chapter 4 of the Listing Rules*].

8. PERFORMANCE OF RATE[S] OF EXCHANGE *(Dual Currency Notes only)*

[*Need to include details of where past and future performance and volatility of the relevant rates can be obtained.*]

[*This section 8 is only required if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, pursuant to Chapter 4 of the Listing Rules*].

[*(When completing this paragraph, consideration should be given as to whether such matters described constitute "a significant change or significant new matter" and consequently trigger the need for a supplement to the Listing Particulars under section 81 of the Financial Services and Markets Act 2000.)*]

9. OPERATIONAL INFORMATION

(i)	ISIN Code:	[ ]
(ii)	Common Code:	[ ]
(iii)	Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
(iv)	Delivery:	Delivery [against/free of] payment
(v)	Names and addresses of additional Payment Agent(s) (if any):	[ ]

10. PUBLIC OFFER TEST COMPLIANT

[The Notes are issued in a manner which the Issuer intends to comply with the requirements of Section 128F of the Income Tax Assessment Act 1936 of Australia]

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1 For Australian Issuers.

AUSTRALIAN TAXATION

The following is a summary of the Australian taxation treatment at the date of these Listing Particulars of payments of interest (as defined in section 128(1AB) of the Income Tax Assessment Act 1936 (the "Australian Tax Act")) on the Notes and certain other matters. It is not exhaustive and, in particular, does not deal with the position of certain classes of Noteholders (such as dealers in securities, custodians or other third parties who hold Notes on behalf of other persons). Prospective holders of the Notes who are Australian residents and non-residents that carry on business in Australia should seek independent advice on the tax implications of an investment in the Notes in their particular circumstances. Prospective offshore holders of Notes who are in any doubt as to their tax position should also consult their professional advisers on the tax implications of an investment in the Notes for their particular circumstances. Prospective Noteholders should also be aware that the particular terms of issue of any Series of Notes may affect the tax treatment of that and other Series of Notes. The following is a general guide and should be treated with appropriate caution. Noteholders who are in any doubt as to their tax positions should consult their professional advisers on the tax implications of an investment in the Notes for their particular circumstances.

1. Interest Withholding Tax

An exemption from Australian interest withholding tax imposed under Division 11A of Part III of the Income Tax Assessment Act 1936 ("Australian Tax Act") is available, in respect of the Notes to be issued by the Issuer, under section 128F of the Australian Tax Act if the following conditions are met:

(a) the Issuer is a resident of Australia when it issues the Notes and when interest (as defined in section 128A(1AB) of the Australian Tax Act) is paid. Interest is defined to include amounts in the nature of, or in substitution for, interest and certain other amounts; and

(b) the Notes are issued in a manner which satisfies the public offer test. There are five principal methods of satisfying the public offer test. In summary, they are:

- offers to 10 or more unrelated financiers or securities dealers;
- offers to 100 or more investors;
- offers of listed Notes;
- offers via publicly available information sources; or
- offers to a dealer, manager or underwriter who offers to sell the Notes within 30 days by one of the preceding methods; and

(c) the Issuer does not know, or have reasonable grounds to suspect, at the time of issue, that those Notes or interests in those Notes were being, or would later be acquired directly or indirectly by an "associate" of the Issuer, except as permitted by section 128F(5) of the Australian Tax Act; and

(d) at the time of the payment of interest, the Issuer does not know, or have reasonable grounds to suspect, that the payee is an "associate" of the Issuer, except as permitted by section 128F(6) of the Australian Tax Act.

Associates

An "associate" of the Issuer for the purposes of section 128F of the Australian Tax Act includes:

(i) a person or entity which holds 50 per cent. or more of the voting shares of, or otherwise controls, the Issuer;

(ii) an entity in which more than 50 per cent. of the voting shares are held by, or which is otherwise controlled by, the Issuer;

(iii) a trustee of a trust where the Issuer is capable of benefiting (whether directly or indirectly) under that trust; and

(iv) a person or entity who is an "associate" of another person or company which is an "associate" of the Issuer under any of the foregoing.

However, for the purposes of sections 128F(5) and (6) of the Australian Tax Act (see paragraphs (c) and (d) above) "associate" does not include:

(A) Australian resident associates who do not acquire the Notes in the course of carrying on business at or through a permanent establishment outside Australia; or

(B) non Australian resident associates who acquire the Notes in the course of carrying on business at or through a permanent establishment in Australia;

(C) associates not mentioned in (A) or (B) who acquire the Notes in the capacity of:

  (i) in the case of section 128F(5), a dealer, manager or underwriter in relation to the placement of the Notes, a clearing house, custodian, funds manager or responsible entity of a registered managed investment scheme (within the meaning of the Corporations Act); or

  (ii) in the case of section 128F(6), a clearing house, paying agent, custodian, funds manager or responsible entity of a registered scheme.

Compliance with section 128F of the Australian Tax Act

Unless otherwise specified in any relevant Final Terms (or another relevant supplement to these Listing Particulars) the Issuer intends to issue Notes in a manner which will satisfy the requirements of section 128F of the Australian Tax Act.

US and UK Resident Noteholders

The Australian government has signed a number of double tax conventions ("Treaties") with the Specified Countries. The Treaties apply to interest beneficially owned by a resident of a Specified Country.

The Treaties prevent Australia from imposing interest withholding tax upon interest beneficially owned by:

(a) the government of the relevant Specified Countries and certain governmental authorities and agencies in the Specified Country; and

(b) certain banks, and other financial institutions which substantially derive their profits by raising debt finance in the financial markets or by taking deposits at interest and using those funds in carrying on a business of providing finance, which are resident in a Specified Country and which are unrelated to, and dealing wholly independently with, the Issuer.

However, back-to-back loans and economically equivalent arrangements do not qualify for this benefit and the anti-avoidance provisions in the Australian Tax Act can apply.

Specified Countries means the United States and the United Kingdom.

French and Japanese Resident Noteholders

Australia's renegotiated double tax convention ("Treaty") with France provides for a 'financial institutions' exemption, and a 'governmental functions' exemption which are similar to the exemptions under the US and UK Treaties.

Australia's double tax convention ("Treaty") with Japan provides for a 'financial institutions' exemption and a 'governmental functions' exemption which are similar to the exemptions under the US and UK Treaties. However, in addition, an exemption from Australian withholding tax will apply to interest derived by:

(a) the Bank of Japan;

(b) the Japan Bank for International Cooperation;

(c) the Nippon Export and Investment Insurance; or

(d) any similar organisation agreed to between the Australian and Japanese Governments.

Section 126 withholding

Section 126 of the Australian Tax Act imposes a type of withholding tax at the rate of 45 per cent. on the payment of interest on Notes in bearer form if the Issuer fails to provide the names and addresses of the holders to the Australian Taxation Office. Section 126 does not apply to the payment of interest on Notes in bearer form held by non-residents who do not carry on business at or through a permanent establishment in Australia where the issue of those Notes has satisfied the requirements of section 128F of the Australian Tax Act or where interest withholding tax is payable. The Australian Taxation Office has confirmed that for the purposes of section 126 of the Australian Tax Act, the holder of Notes in bearer form is the person in possession of them. Section 126 is therefore limited in its application to persons in possession of Notes in bearer form who are residents of Australia or nonresidents who are engaged in carrying on business in Australia at or through a permanent establishment in Australia. Where interests in Notes in bearer form are held through Euroclear or Clearstream, Luxembourg, the Issuer intends to treat the operators of those clearing systems as the holders of those Notes for the purposes of section 126 of the Australian Tax Act.

Payments of additional amounts

As set out in more detail under "Terms and Condition of the Notes" and unless expressly provided to the contrary in the relevant Final Terms (or another relevant supplement to these Listing Particulars), if the Issuer is at any time compelled by law to deduct or withhold an amount in respect of any Australian withholding taxes, the Issuer shall, subject to certain exceptions, pay such additional amounts as may be necessary in order to ensure that the net amounts received by the Noteholders after such deduction or withholding shall equal the respective amounts which would have been received had no such deduction or withholding been required. If the Issuer is compelled by law in relation to any Notes to deduct or withhold an amount in respect of any Australian withholding taxes, the Issuer will (subject to meeting certain conditions) have the option to redeem those Notes in accordance with the Terms and Conditions.

2. General Tax

The Issuer has been advised that under Australian laws as presently in effect:

(i) income tax: assuming the requirements of section 128F of the Australian Tax Act are satisfied with respect to the Notes, payment by the Issuer of principal and interest to a Noteholder who is a non-resident of Australia and who, during the taxable year, does not hold the Notes in the course of carrying on business through a permanent establishment in Australia, will not be subject to Australian income tax;

(ii) gains on disposal of Notes: a Noteholder, who is a non-resident of Australia and who, during the taxable year, does not hold the Notes in the course of carrying on business through a permanent establishment in Australia, will not be subject to Australian income tax on gains realised during that year on sale or redemption of Notes, provided such gains do not have an Australian source. A gain arising on the sale of a Note by a non- resident holder to another non-resident where the Notes are sold outside Australia and all negotiations are conducted, and documentation is executed, outside Australia would not be regarded as having an Australian source;

(iii) deemed interest: there are specific rules that can apply to treat a portion of the purchase price of Notes as interest for withholding tax purposes when certain Notes originally issued at a discount, or with a maturity premium or which do not pay interest at least annually are sold to an Australian resident (who does not acquire them in the course of carrying on business at or through a permanent establishment outside Australia) or a non-resident who acquires them in the course of carrying on business at or through a permanent establishment in Australia. These rules do not apply in circumstances where the deemed interest would have been exempt under section 128F of the Australian Tax Act if the Notes had been held to maturity by a non-resident;

(iv) death duties: no Notes will be subject to death, estate or succession duties imposed by Australia, or by any political subdivision or authority therein having power to tax, if held at the time of death;

(v) stamp and other duties: no *ad valorem*, stamp, issue, registration or similar taxes are payable in Australia on the issue or transfer of any Notes;

(vi) supply withholding tax: payments in respect of the Notes can be made free and clear of the withholding tax imposed under section 12-140 and section 12-190 of Schedule 1 to the Taxation Administration Act 1953 of Australia ("TAA") provided if relevant the Noteholder, has provided a Tax File Number and Australian Business Number to the Issuer;

(vii) goods and services tax (GST): neither the issue nor receipt of the Notes will give rise to a liability for GST in Australia on the basis that the supply of the Notes will comprise either an input taxed financial supply or (in the case of an offshore subscriber) a GST-free supply. Furthermore, neither the payment of principal or interest under the Notes, nor the disposal of the Notes, will give rise to any GST liability in Australia;

(viii) additional withholdings from certain payments to non-residents: Section 12-315 of Schedule 1 to the TAA gives the Governor-General power to make regulations requiring withholding from certain payments to non-residents after 1 July 2003. It is not expected that any regulations will be made that will impact any payments in respect of the Notes;

(ix) taxation of foreign exchange gains and losses: Divisions 775 and 960 of the Australian Tax Act contain rules to deal with the taxation consequences of foreign exchange transactions entered into after 1 July 2003 (unless a taxpayer elects for them to apply to earlier transactions). The rules are complex and may apply to any Noteholders who are Australian residents or non-residents that hold Notes that are not denominated in Australian dollars in the course of carrying on business in Australia. Any such Noteholders should consult their professional advisors for advice as to how to account for any foreign exchange gains or losses arising from their holding of those Notes;

(x) The Commissioner of Taxation of the Commonwealth of Australia may give a direction under Section 255 of the Australian Tax Act or Section 260-5 of Schedule 1 to the Taxation Administration Act 1953 or any similar provision requiring the Issuer to deduct from any payment to any other party (including any Noteholder) any amount in respect of Australian tax payable by that other party; and

(xi) The Australian Government has enacted a new regime for the taxation of financial arrangements (referred to as TOFA) which can affect the taxation of financial instruments such as the Notes. The new TOFA regime will apply to certain financial arrangements, such as the Notes, acquired on or after 1 July 2010 (or 1 July 2009, at the taxpayer's election). Taxpayers may elect for the new TOFA regime to apply to all financial arrangements held by them on 1 July 2010 (or 1 July 2009 if an election has been made to adopt that earlier commencement date). In the absence of such election, the existing law governing the taxation of financial arrangements will continue to apply to Notes acquired before the applicable commencement date. The existing law governing the taxation of financial arrangements will also continue to apply to Notes held by taxpayers that are not subject to the TOFA regime because they do not meet certain threshold requirements. The TOFA regime does not contain any measures that would override the exemption from Australian interest withholding tax available under section 128F of the Australian Tax Act in respect of interest payable on the Notes.

SUBSCRIPTION AND SALE

The Dealers have in a programme agreement (as amended and/or supplemented and as restated from time to time, the "Programme Agreement") dated 19 November 2010 agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "Form of the Notes" and "Terms and Conditions of the Notes"above. In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that, it will not offer, sell or deliver Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding paragraph and in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the completion of the offering of any Series of Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Each issue of Index Linked Notes and Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer or Dealers may agree as a term of the issue and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Final Terms. Each relevant Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will offer, sell or deliver such Notes only in compliance with such additional U.S. selling restrictions.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business, and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) it has only communicated or caused to be communicated and it will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 2 1(l) FSMA does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the any Notes in, from or otherwise involving the United Kingdom.

Australia

No prospectus or other disclosure document (as defined in the Corporations Act 2001 of Australia ("Corporations Act")) in relation to the Programme or any Notes has been or will be lodged with the Australian Securities and Investments Commission, the Australian Securities Exchange or any other stock exchange or trading facility licensed under the Corporations Act. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that, unless the relevant Final Terms otherwise provides, it:

(a) has not made or invited applications, and will not offer or invite applications, for the issue, sale or purchase of any Notes in Australia (including an offer or invitation which is received by a person in Australia); and

(b) has not distributed or published and will not distribute or publish, the Listing Particulars or any other offering material or advertisement relating to any Notes in Australia,

unless:

(i) the aggregate consideration payable by each offeree is at least A$500,000 (or its equivalent in other currencies but disregarding moneys lent by the offeror or its associates (as defined in the Corporations Act)) or the offer or invitation otherwise does not require disclosure to investors in accordance with Part 6D.2 of the Corporations Act;

(ii) such action complies with all applicable laws and regulations; and

(iii) such action does not require any document to be lodged with, or registered by ASIC.

In addition, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that it will not sell any Note issued by the Issuer in circumstances where employees of the Dealer aware of, or involved in, the sale know, or have reasonable grounds to suspect, that the Note or an interest in or right in respect of the Note, was being or would later be, acquired either directly or indirectly by an Offshore Associate of the Issuer acting other than in the capacity of a dealer, manager or underwriter in relation to the placement of the Notes or a clearing house, custodian, funds manager or responsible entity of a registered scheme within the meaning of the Corporations Act.[1]

"Offshore Associate" means an associate (as defined in section 128F of the Income Tax Assessment Act 1936 of Australia and any successor legislation) of the Issuer that is either a non-resident of Australia which does not acquire the Notes in carrying on a business at or through a permanent establishment in Australia or, alternatively, a resident of Australia that acquires the Notes in carrying on business at or through a permanent establishment outside of Australia.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended, the "FIEA") and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Control Law (Law No. 228 of 1949, as amended)), or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Public Offer Selling Restriction under the Prospective Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each a "Relevant Member State"), each Dealer has represented and agreed, and each subsequent Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by these Listing Particulars as completed by the Final Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(b) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(c) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes these Listing Particulars and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Dealers shall have any responsibility therefor.

Neither the Issuer nor any of the Dealers represents that any Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other additional restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Final Terms.

GENERAL INFORMATION

Authorisation

The establishment and update of the Programme and the issue of Notes have been duly authorised by resolutions of the Board of Directors of the Issuer dated 27 April 1998, 23 April 2001, 24 April 2002, 28 April 2003, 15 August 2005, 28 May 2007 and 23 June 2008.

Listing of Notes

The admission of Notes to the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the Market will be admitted separately as and when issued, subject only to the issue of a Temporary Global Note initially representing the Notes of such Tranche.

Application has been made to the UK Listing Authority for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's Professional Securities Market. The listing of the Programme in respect of Notes is expected to be granted on or around 23 November 2010.

Documents Available

For the period of 12 months following the date of these Listing Particulars, copies of the following documents will, when published, be available for inspection from the registered office of the Issuer and from the specified office of the Agent in London:

(i) the memorandum and articles of association of the Issuer;

(ii) the audited annual consolidated financial statements of the Issuer in respect of the financial years ended 30 June 2009 and 30 June 2010;

(iii) the most recently published audited annual consolidated financial statements of the Issuer and the most recently published interim financial statements of the Issuer;

(iv) the Programme Agreement, the Trust Deed, the Agency Agreement, the forms of the Temporary Global Notes, the Permanent Global Notes, the definitive Notes, the Receipts and the Coupons and the Talons;

(v) a copy of these Listing Particulars;

(vi) any future Listing Particulars, prospectuses, information memoranda and supplements including Final Terms (save that a Final Terms relating to an unlisted Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Paying Agent as to its holding of Notes and the identity of such holder) to these Listing Particulars and other documents incorporated herein or therein by reference;

(vii) any document referred to in these Listing Particulars; and

(viii) in the case of each issue of Notes admitted to trading on the Market subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the relevant Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the relevant Final Terms.

The address of Euroclear is Euroclear Bank S.A./N.V., 1 Boulevard de Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Significant or Material Change

There has been no significant change in the financial or trading position of the Issuer or the Group since 30 June 2010 (being the date of its latest published audited financial statements). There has been no material adverse change in the prospects of the Issuer since 30 June 2010 (being the date of its latest published audited financial statements). In addition, there have been no recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency.

Litigation

Save as disclosed in these Listing Particulars in paragraphs 7-8 on page 11 and paragraph 3 on page 15, neither the Issuer nor any other member of the Group is or has been involved in any governmental, legal, administrative or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of these Listing Particulars which may have or have in such period had) a significant effect on the financial position or profitability of the Issuer or the Group.

Auditors and Financial Statements

The auditors of the Issuer are Ernst & Young who have audited the Issuer's financial statements, without qualification for the financial year ended 30 June 2009 and 30 June 2010. No financial information in these Listing Particulars other than the financial statements incorporated by reference (see the section headed "Documents Incorporated by Reference" above) and the financial information set out at F-17 to F-162 have been audited. The auditors of the Issuer have no material interest in the Issuer.

The partners of Ernst & Young are typically members of the Institute of Chartered Accountants of Australia, but each firm itself is not a member.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to and individual resident in that other Member State. However, for a transitional period, Luxembourg and Austria are instead be required (unless during that period they elect otherwise) to operate withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

Post-issuance information

Save as set out in the Final Terms, the Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

Dealers transacting with the Issuer

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and its affiliates in the ordinary course of business.

FINANCIAL STATEMENTS OF THE ISSUER

Financial Statements and Reports of Independent Auditors

The Full Financial Report of the Issuer can be found at pages 27 to 192 of the Issuer's Full Annual Report 2010.

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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

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

	7.3 The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act[1] is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	*Status:* Adopted *Annual report:* Section 3
	7.4 Companies should provide the information indicated in the Guide to reporting on Principle 7.	*Status:* Adopted *Annual report:* Section 3 *Documents on website:* Risk Committee, Credit Committee, IT Committee Overview, Risk Management 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)	2009 (2)	2008 (3)	2007	2006
	$m	$m	$m	$m	$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.

	Remuneration received				**Remuneration forfeited**	
Executive [1] (current title)	**Base Pay** [2] **(Fixed annual remuneration)**	**Cash Bonus (Short term incentive)**	**Shares** [3] **(Long term incentive)**	**Total**	**% 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).

Do participants pay for the Performance Shares?	Performance Shares have been granted at no cost to the Senior Executives and no exercise price applies.
What rights are attached to the Performance Shares?	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”).
What are the hurdles and performance conditions?	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.
Why were the performance conditions and periods chosen?	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.
How is EPS measured?	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.
How is TSR measured?	TSR measures changes in the market value of the Company’s shares over the performance period and the value of dividends on the shares during that period (dividends are treated as if they were re-invested).
Why does the Company think the TSR hurdle is appropriate?	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).
What are the Plan’s vesting terms – Performance Shares?	Performance Shares granted under the Plan will vest in accordance with the following table provided the EPS gateway condition has been met.

Company’s TSR ranking against TSR of Peer Group	Percentage of Performance Shares that vest
TSR below 50th percentile	Nil
TSR between 50th percentile and 75th percentile	65%
TSR above 75th percentile	100%

Does the Plan provide for retesting?	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.
What if a Senior Executive ceases employment?	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.
What if a Senior Executive breaches their duties?	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.

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.

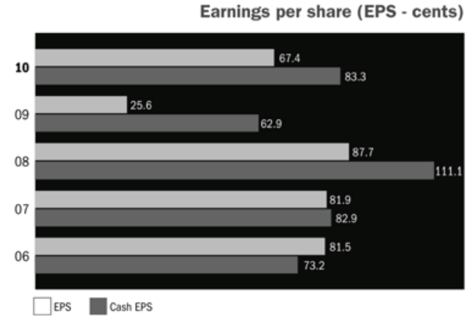
The accompanying graphs set out the Company's key financial performance measures for the financial year ended 30 June 2010, and the four previous financial years, to illustrate the consequences of the Company's performance on shareholder value and returns and the link to Senior Executive remuneration.

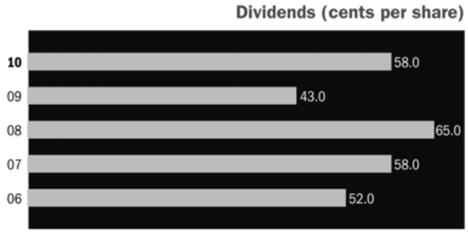
The Company delivered on its promise of improved earnings and profit performance while managing the effects of the global financial crisis. The Company's performance for the past year, and four previous years, is summarised as follows:

- 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)

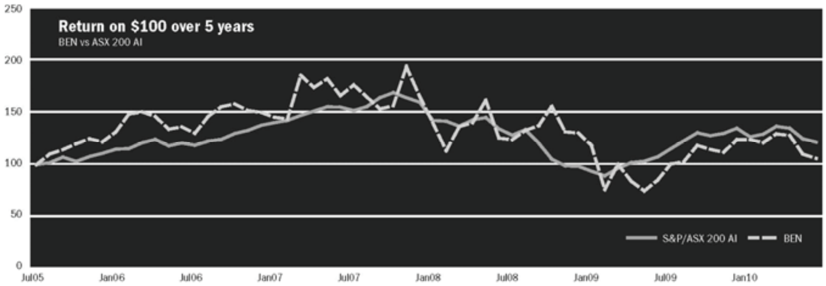
Further details of the Company's recent performance are set out in the Chairman's and Managing Director's Review on pages 4 and 5 of this Annual Report.





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.

ERNST & YOUNG

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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

Robert Johanson

Chairman

Mike Hirst

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:

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 $m	2009 $m	2010 $m	2009 $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	2009
	$m	$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:

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 $m	Consolidated 2009 $m	Parent 2010 $m	Parent 2009 $m
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 $m	Consolidated 2009 $m	Parent 2010 $m	Parent 2009 $m
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

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	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.

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

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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)

	Vested	**Granted**	**Terms & Conditions for each Grant**					
30 June 2010	**No.**	**No.**	**Grant Date**	**Fair Value at grant date**	**Exercise price**	**Expiry Date**	**First Exercise Date**	**Last Exercise Date**
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)

	Vested	Granted	Terms & Conditions for each Grant					
30 June 2010	**No.**	**No.**	**Grant Date**	**Fair Value at grant date**	**Exercise price**	**Expiry Date**	**First Exercise Date**	**Last Exercise Date**
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 Remun-eration	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 Remun-eration	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	**Interest charged**	**Interest not charged**	**Write-off**	**Balance at end of period**	**Highest owing in period**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'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 **$ m**	**2009** **$ m**	**2010** **$ m**	**2009** **$ 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 **$ m**	**2009** **$ m**	**2010** **$ m**	**2009** **$ 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 **Consolidated**	**+100 basis points 2010 $ m**	**-100 basis points 2010 $ m**	**+100 basis points 2009 $ m**	**-100 basis points 2009 $ 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 interest rate	Fixed interest rate repricing :					Other	Total carrying value per Balance sheet	Weighted average effective interest rate
		Less than 3 months	Between 3 months & 6 months	Between 6 months & 12 months	Between 1 year & 5 years	After 5 years			
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 interest rate	Fixed interest rate repricing :					Other	Total carrying value per Balance sheet	Weighted average effective interest rate
		Less than 3 months	Between 3 months & 6 months	Between 6 months & 12 months	Between 1 year & 5 years	After 5 years			
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 :					Other	Total carrying value per Balance sheet	Weighted average effective interest rate
		Less than 3 months	Between 3 months & 6 months	Between 6 months & 12 months	Between 1 year & 5 years	After 5 years			
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 :					Other	Total carrying value per Balance sheet	Weighted average effective interest rate
		Less than 3 months	Between 3 months & 6 months	Between 6 months & 12 months	Between 1 year & 5 years	After 5 years			
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 **2010**	**Within 1 year** **$ m**	**1 to 3 years** **$ m**	**3 to 8 years** **$ m**	**Over 8 years** **$ 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 **2010**	**Within 1 year** **$ m**	**1 to 3 years** **$ m**	**3 to 8 years** **$ m**	**Over 8 years** **$ 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 **$ m**	**2009** **$ m**	**2010** **$ m**	**2009** **$ 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 $m	2009 $m	2010 $m	2009 $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.

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

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

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

Actuarial (gain) / loss	1.1	4.3

Cumulative amount recognised directly in Other Comprehensive Income

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 **$ m**	**2009** **$ 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

Rank	Name	Number of fully paid Ordinary Shares	Percentage held of 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

Rank	Name	Number of fully paid Preference Shares	Percentage held of 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

Rank	Name	Number of fully paid Reset Preference Shares	Percentage held of issued 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 Invergowrie 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

Rank	Name	Number of fully paid Step Up Preference Shares	Percentage held of issued 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.

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