Bendigo and Adelaide Bank

Full Annual Report 2011

At Bendigo and Adelaide Bank we aim to be Australia's leading customer-connected bank.

Full Annual Report 2011

Calendar 2011/12

2011

30.09.11	Distribution of Final Dividend
10.10.11	Bendigo Step Up Preference Share Dividend
24.10.11	Annual General Meeting
01.11.11	Bendigo Reset Preference Share Dividend
15.12.11	Bendigo Preference Share Dividend

Proposed 2012

10.01.12	Bendigo Step Up Preference Share Dividend
13.02.12	Announcement of Interim Results and Interim Dividend
27.02.12	Interim Ex-Dividend Date
02.03.12	Interim Dividend Record Date
15.03.12	Bendigo Preference Share Dividend
30.03.12	Distribution of Interim Dividend
10.04.12	Bendigo Step Up Preference Share Dividend
01.05.12	Bendigo Reset Preference Share Dividend
15.06.12	Bendigo Preference Share Dividend
10.07.12	Bendigo Step Up Preference Share Dividend
13.08.12	Announcement of Final Results and Final Dividend
27.08.12	Final Ex-Dividend Date
31.08.12	Final Dividend Record Date
17.09.12	Bendigo Preference Share Dividend
28.09.12	Distribution of Final Dividend
10.10.12	Bendigo Step Up Preference Share Dividend
29.10.12	Annual General Meeting
01.11.12	Bendigo Reset Preference Share Dividend
17.12.12	Bendigo Preference Share Dividend

Relevant.

Contents

Connected.

Bendigo and Adelaide Bank

Our Vision and Strategy

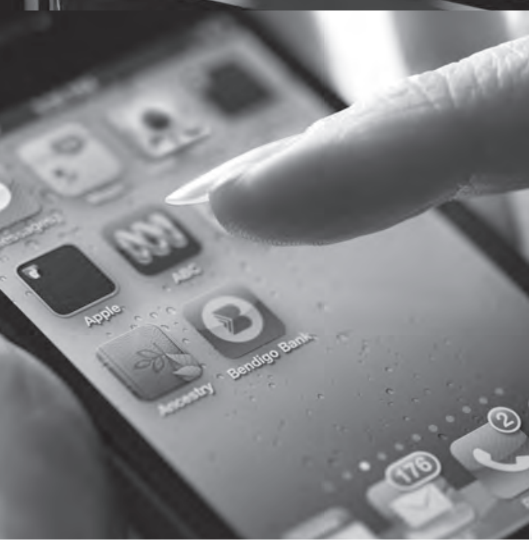
We aim to be Australia's leading customer-connected bank.

- Our strength comes from our focus on the success of our customers, people, partners and communities.
- We take a 100-year view of the business.
- We listen.
- We respect every customer's choice, needs and objectives.
- We partner for sustainable long-term outcomes.

Relevant, Connected, Valued.

we seek to
share value

Relevant.



Chairman's Message

In 2010/11, Bendigo and Adelaide Bank built further on its strong recovery from the depths of the Global Financial Crisis (GFC).

The surge in earnings in the previous year, as the economy emerged from the worst of the crisis, was followed by further solid gains. This strong profit performance enabled Directors to lift shareholder dividends marginally while continuing to invest capital in the business to bolster its balance sheet and to position it to capitalise on growth opportunities.

Our performance was built on a foundation of solid deposit inflows and lending. The results are a testament to the strength of our retail franchise, the re-emergence of our third party lending business (which had been constrained by a lack of available funding as the GFC bit hard) and the strong margins earned across our various businesses.

Our Bank continues to play an important role in facilitating the flow of capital in local economies during a period of patchy economic performance across the nation. Strong support from our depositors enabled us to provide a good flow of funds to home and business borrowers, helping to maintain local economic activity across our communities. This is at the heart of what a bank does, a fact that was forgotten by those who precipitated the GFC in the pursuit of profit at the expense of prudence.

Next to this Chairman's Report is an edited extract of an excellent article by our Managing Director which examines some of the causes of the GFC and contrasts this with the way in which our Bank seeks to share value between all stakeholders who contribute to its success. I commend the full article to shareholders – it is well worth the read.

After balance date, we appointed a new Director to our Board and will seek shareholder ratification at the forthcoming Annual General Meeting (AGM). Jacqueline Hey was previously CEO of Ericsson in the UK and in Australia. She worked with Ericsson for more than 20 years in finance, marketing, sales and leadership roles in Australia, Sweden, the UK and the Middle East. Her skills in technology and communications will be very valuable. We welcome her to our Company.

Kevin Abrahamson will retire from the Board at this year's AGM. Kevin has been a Director for 11 years, first with Adelaide Bank and since 2007 with the merged Bank. He has made a great contribution to the Company and we thank him for all his hard work.

As I write this message, in late August, world financial markets continue to be in turmoil as the economic outlook for the US and Europe remains uncertain. But our economic fundamentals remain in good shape and the Federal Government and the Reserve Bank retain the capacity to respond fiscally and financially to further challenges.

Our Bank is well placed to continue its progress. Many of our retail branches are still in early growth phase and we continue to open new branches and to establish new distribution arrangements such as the exciting agreement with Australia Post. We continue to expand our ability to serve customers through, for example, new investments in technology.

Funding is available to our third party mortgage partners and we have begun or announced several large scale initiatives that promise to generate earnings. Most importantly, we remain focused on what produces our success – and that is the success of our customers, staff, partners and communities. This must come first.

Finally, I thank you for your support as a shareholder – and I hope a customer – and look forward to providing you with further reports of the progress of our bank.

Robert Johanson
Chairman

Robert Johanson
Chairman

Creating Shared Value:

Community Banking in the 21st Century

In June 2011, the Fairfax newspaper group ran stories that relied on selective information to criticise our **Community Bank®** model. In response, Fairfax agreed to run a comment piece by our Managing Director Mike Hirst. The following is an edited excerpt of Mr Hirst's article, the full text of which is available at **www.bendigoadelaide.com.au**

The Global Financial Crisis was caused by a wilful departure from the notion that everyone should benefit from a financial transaction – the investor who provides the funds, the borrower, the bank's shareholders who bear the risk of the borrower not paying, and society itself.

Banks were formed to feed into prosperity this way – to accept cash from savers to lend to borrowers who could add value to it. The bank charged the borrower a bit more than it paid the investor and returned the risk margin to its shareholders as dividends. The value added along the way was shared – people gained employment, houses were built, businesses started and public infrastructure funded.

If shared value and banking for and by community sound familiar, it's because our Bank started just such a venture 13 years ago. **Community Bank®** was founded on the belief that successful customers and successful communities create a successful bank - *in that order*. **Community Bank®** works as a shared value model: it creates economic value while helping communities to address their needs and challenges.

Community Bank® companies are owned by local community companies that receive half the income generated by their branch. There are now 276 of them and in 13 years since the first was opened they have received more than $764 million in revenue. These branches have returned $56 million in community grants – $40 million in just the past four years – and paid $18 million in shareholder dividends. They have created 1400 jobs and each year now spend around $40 million in wages and services locally, which has a significant positive impact on these micro economies.

Their profits have been responsible for building community centres and health services; bought fire trucks and community buses; funded scholarships and sponsored hundreds of sporting teams. Increasingly, governments are co-funding projects with **Community Bank®** companies because they know the community will value the outcome.

Community Bank® has enabled us to become a meaningful alternative to the big four banks and is starting to deliver reasonable returns.

No one is suggesting **Community Bank®** is the new way of doing business. But as leaders the world over contemplate the GFC's challenges, it is perhaps worthwhile them having a peek into a corner of Australia where an army of willing and capable community volunteers and one small bank are together creating new value from old values.

(A complete financial analysis of the **Community Bank®** network's performance is available on the ASX website under BEN company announcements).

more than
1.5 million
customers

we listen
to our
customers

Connected.

Managing Director's Message

Bendigo and Adelaide Bank announced an after tax profit of $342.1 million for the 2011 financial year. Cash earnings were $336.2 million, representing cash earnings per share of 92.3 cents, an increase of 10.8 per cent on the previous year.

As a result we paid a final fully franked dividend of 30 cents per share, taking our full year dividend to 60 cents per share, an increase of 3.5 per cent on 2010.

These results have been driven by the Group's focus on making it easier for customers to do business with us. Each day our people have reflected on what they do and how they can improve upon it, to make the experience of our more than 1.5 million customers a better one.

It's this approach that has seen the Bank continue to record industry-leading customer satisfaction and advocacy results. And more recently (July 2011) our Bank was named the 'Most Trusted Bank' by Reader's Digest and recognised by Asian Banking & Finance as having a leading Corporate Social Responsibility Program.

At Bendigo and Adelaide Bank, we listen to what our customers want, we understand their needs, and assist them in accessing a comprehensive range of products and services through one convenient service point.

We have introduced LINX, new technology which assists our staff in getting to know their customers, giving them the opportunity to have meaningful conversations, which build deeper relationships with our Bank and provide our customers with better outcomes.

We've also realigned our Wealth offering, launching a one-stop shop for customers under the Bendigo Wealth umbrella. This will assist us in leveraging our expansive retail network and allow us to provide essential financial solutions such as financial planning, insurance and superannuation, to customers who may have only turned to us for loans, credit cards or statement accounts in the past.

Our third party lending business is experiencing levels of growth comparable to before the GFC. Brokers are still seeking an alternative to the major banks and we are that alternative. As part of our wider reinvestment in this part of the business, we will relaunch the Adelaide Bank brand in September 2011.

Our retail network continues to grow with a further 20 branches opened and seven agencies established this year. We now have more than 570 customer service outlets Australia-wide, and will continue to add to this footprint, further enhancing customer convenience and personalised service.

Again, much of this growth was driven by communities wanting to establish their own **Community Bank**® branch. This year 11 new **Community Bank**® companies were formed and 16 branches were opened.

Many mature **Community Bank**® companies are opening their third, fourth and fifth branch, with more than 10 companies returning over $1 million to their local communities since establishment. It's this kind of success that continues to motivate other communities to join the network, with a further 50 sites currently in the **Community Bank**® development pipeline.

We've added to our ATM network, primarily through a network-sharing arrangement with Suncorp Bank, but also through our own investment, which means our customers can now access their accounts at more than 2000 locations without incurring a direct charge fee.

We're also growing our business in other ways. In December, we finalised our purchase of Rural Bank, a move that provides us with greater exposure to a well-performing business with sound credit quality and strong returns.

And Rural Bank is already making moves in the market place, announcing its intention in August 2011 to join forces with Australia Post to distribute banking services via regional and rural post offices.

The deal will see some Rural Bank products and services made available at selected postal outlets from late November 2011. The roll-out will start in New South Wales, with the offering to be available at 1400 post offices across the country by 2013.

Importantly, this reinforces our commitment to rural and regional Australia and further enhances our position as the first banking alternative to the major banks.

Mike Hirst
Managing Director

We continue to pursue joint venture partnerships with groups that provide specialised products and services. Home Safe Solutions assists senior Australians through its Debt Free Equity Release product and Community Sector Banking exclusively services the needs of the not-for-profit sector. Meanwhile, our wholly-owned subsidiary Oxford Funding provides debtor finance for businesses, with Victorian Securities a specialist in residential and commercial lending.

We've focussed on making the business more robust. This has been achieved through conservative risk management practices, low-risk funding and balance sheet structure, sound capital ratios and a sustained improvement in profitability.

Our work in this area has been well-received and recognised. In May, Fitch Ratings Agency upgraded the Bank to A-, making us the first Australian bank and one of few globally to receive an upgrade since the GFC. Then a month later, Standard & Poor's put our BBB+ rating on positive outlook for an upgrade to A-.

Our new ratings position the Bank well for future growth, in part by reducing the cost of our wholesale borrowing. If we continue to perform well, improve our profitability and credit, then we feel confident further credit rating upgrades should follow.

Throughout all of this hard work and success, each of us has made a concerted effort to be a part of one team, reaching for the same goal. This came to the fore during the Queensland floods, when staff from right across Australia pulled together, working extended hours and performing extraordinary duties to make sure our customers and staff in the flood zone were supported. The same spirit of community was evident during the Victorian floods and Cyclone Yasi.

Being Australia's leading customer-connected bank is the vision that drives each and every one of us, and while we have made huge strides towards achieving this, we're constantly raising the bar and understand we can always do more to help our customers and support our communities.

Our strength comes from our focus on the success of our customers, people, partners and communities. We believe we have a market-beating strategy, an ethos that sets us apart from others and a point of difference that cannot be genuinely replicated.

We take a 100-year view of the business; we make decisions for the long-term and understand that we hold a privileged position as the stewards of a 153-year-old institution that has become far more than just another bank.

We listen to our customers, because if we can understand what our customers want and help them to achieve it, then we will be relevant, connected and valued.

Our ability to forge partnerships is unique to us and differentiates us from other banks. We must build on this strength and leverage it, to ensure the prosperity of our business and the customers and communities we serve.

If we do these things and do them well, our business will continue to be successful and we will be well-positioned to seize future opportunities.

This is an exciting time for Bendigo and Adelaide Bank. We look forward to building on this strong momentum and sharing our success with you, our supporters.

Mike Hirst
Managing Director

Our Brands

Bendigo and Adelaide Bank understands that customers will choose to connect with a bank for many different reasons and in a variety of ways.

Some customers like personalised service, some like to bank on-line, while others will look for the most competitive deal through an adviser.

That's why the Bank has developed a diverse business with a family of brands which enable us to attract, serve and satisfy all our customers' various needs and wants.

Bendigo Bank provides a full suite of retail banking and financial services under its own brand.

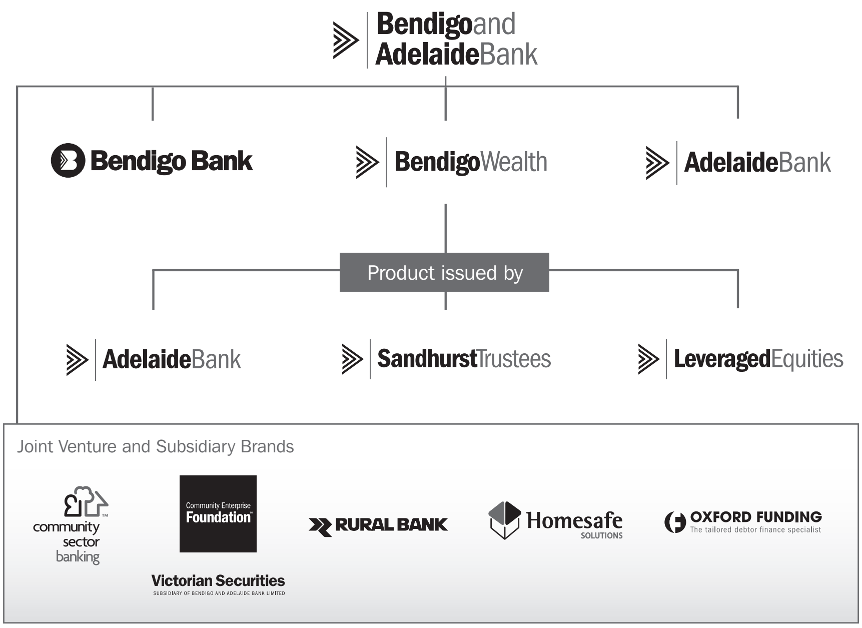
Financial advisers can choose from our Bendigo Wealth offering to help their clients plan and achieve their financial goals.

Adelaide Bank provides mortgages and deposit accounts to third party companies, either under its own brand or under a partner's.

Rural Bank is our wholly-owned specialist agribusiness bank, while a joint venture company, Community Sector Banking, banks Australia's not-for-profit sector.

We also support a range of subsidiary or joint venture brands that cater for specialist markets.

Our multi-brand strategy



Relevant.

"Sandhurst Trustees' Abbott Foundation has donated almost $95,000 to help our organisation upgrade the equipment at our Bendigo recycling plant. Sandhurst Enterprise Recycling (part of VATMI Industries) employs people with disabilities, and the grant will allow us to offer more opportunities to people with higher levels of physical disability. This will enhance our team and output, while helping our employees find greater independence."

Derek Shotton, *VATMI Industries*

Connected.

Our Year

Throughout 2010/11, the hard work of Bendigo and Adelaide Bank's people, partners and supporters was recognised, with many milestones reached and achievements rewarded.

July

RMBS Issue Upsized to $1.5b

15 July: Bendigo and Adelaide Bank upsized its TORRENS 2010-2 Residential Mortgage Backed Securities (RMBS) issue from $750 million to $1.5 billion. The offer was well supported, with a total of 16 investors participating in the transaction.

ATM Access Doubled

19 July: The Bank forged a new partnership with Suncorp Bank allowing customers to transact at almost 2000 machines across Australia without incurring a direct charge fee.

August

Most Loyal Customers

2 August: Engaged Marketing's Consumer Loyalty Benchmarking study found Bendigo Bank had the equal highest Net Promoter Score (NPS) in the Australian banking sector.

Banking4u Rates Bendigo

3 August: Banking4u rankings released by Retail Finance Intelligence, named Bendigo and Adelaide Bank as a market leader in all major banking service categories.

The Bank finished top three in every category including card, savings, transactions, personal loans and mortgages, and was the number one choice for cards, transactions and personal loans.

Victorian Securities Celebrates 50th

8 August: Victorian Securities, formerly known as Ballarat Securities, celebrated its 50th anniversary.

Full Year Result Announcement

9 August: The Bank announced an after-tax profit of $242.6 million for the 12 months ending 30 June 2010. This was a 190 per cent improvement on the prior corresponding period.

September

Bendigo is the People's Choice

14 September: Bendigo Bank won three awards at the inaugural Mozo People's Choice Awards. More than 23,000 banking customers from around Australia participated, voting the Bendigo to have the best credit cards, best personal loans and best term deposits.

Branching Out in Sydney

15 September: The Bank celebrated the opening of its first Bendigo Bank branch in the Sydney central business district at 75 Elizabeth Street.

New LINX to Customers

22 September: The Bank rolled out LINX, the largest customer-driven program of work it's ever undertaken. This customer engagement platform will assist the Group in delivering on its customer-connected strategy.

October

Strategic Alliance with AMP

6 October: AMP Financial Services and the Bank announced a strategic alliance to deliver tailored AMP life insurance solutions to the Bank's retail customers.

Rural Bank Purchase Announced

26 October: The Bank announced it had entered into an agreement to acquire Elders Limited’s 40 per cent shareholding in specialist agribusiness lender Rural Bank for $165 million. The purchase took the Bank’s ownership to 100 per cent.

November

Site Identified for Adelaide HQ

3 November: The Bank announced its search for a new corporate head office in Adelaide had progressed with a preferred site identified on Grenfell Street.

AGM Resolutions Approved

3 November: All resolutions put to shareholders at the Annual General Meeting were approved including the election of two new Directors, Jim Hazel and David Matthews, and re-election of Robert Johanson and Terry O’Dwyer.

Sydney Staff United

12 November: The Bank continued to grow its presence in Sydney, consolidating 200 staff from three locations into one main office in Pitt Street.

December

Note Buy-Back Completed

8 December: The Bank announced the completion of its off-market buy-back of its Unsecured Perpetual Floating Rate Subordinated Notes. The buy-back was well supported with 54 per cent of total notes outstanding being tendered into the buy-back, leaving 348,163 notes quoted on the ASX.

RMBS Upsized to $1b

10 December: The Bank successfully priced and upsized its TORRENS 2010-3 RMBS transaction. The initial transaction size of $775 million attracted strong demand from investors and was upsized to $1 billion.

$250m of Sub Debt Issued

15 December: The Bank successfully raised $250 million in subordinated debt to assist with the continued growth of the business. The raising helped increase the Group’s capital ratio to 11.07 per cent as at 31 December.

MD’s Submission to Senate

15 December: Managing Director Mike Hirst presented a submission to the Senate Economics Committee regarding its inquiry into competition within the Australian banking sector.

Rural Bank Credit Rating Upgraded

22 December: Rural Bank, the now 100 per cent Bank-owned subsidiary, received a credit rating upgrade from ratings agency Standard & Poor’s. S&P upgraded Rural Bank from BBB, to BBB+/A2 with a stable outlook.

Adelaide Bank Merger Tax Consolidation

22 December: The Bank announced the completion of further aspects of the tax consolidation process relating to the merger of Bendigo Bank and Adelaide Bank in 2007, resulting in the contribution of approximately $34 million to the Bank’s statutory net profit as at 31 December.

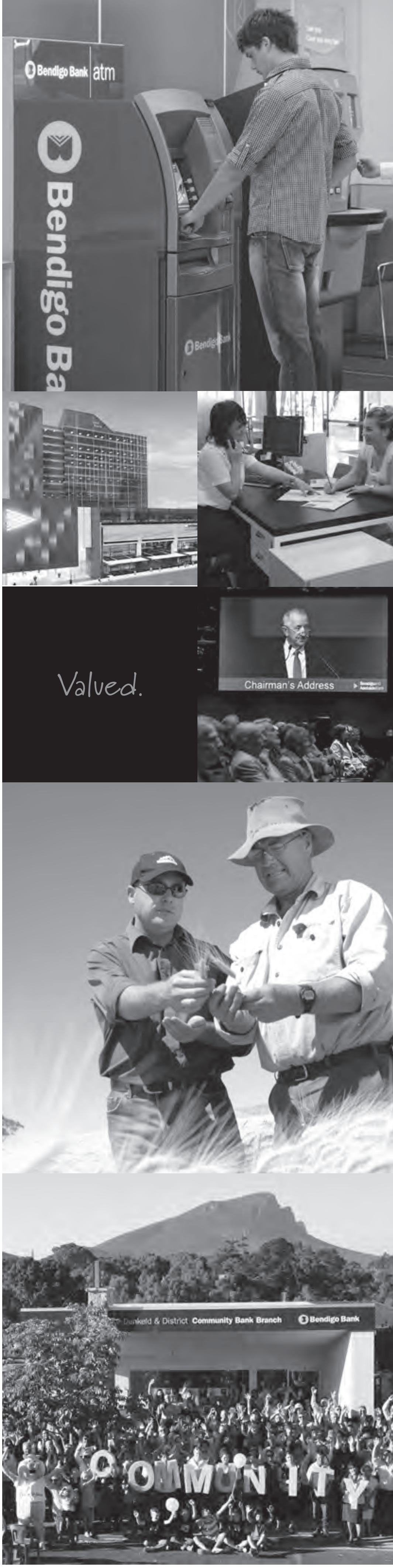
Queensland Flood Appeal Launched

23 December: Bendigo and Adelaide Bank’s philanthropic arm, Community Enterprise Foundation™, launched the Queensland Flood Appeal. The Bank also extended additional support to staff and customers impacted by the floods.

January

Number One in Customer Satisfaction

31 January: Roy Morgan’s January survey into Australian bank customer satisfaction showed Bendigo Bank had experienced a 0.2 per cent increase, taking its total to 87.1 per cent. This figure was the leading score for an Australian retail bank.



Relevant.

Our Year (continued)

February

Interim Result Announcement

10 February: Bendigo and Adelaide Bank announced an after-tax profit of $173.9 million for the six months ending 31 December 2010. Cash earnings were $162.1 million, representing cash earnings per share of 44.7 cents, an increase of 8.5 per cent on the prior corresponding period.

Retail Bonds Launched

22 February: Bendigo and Adelaide Bank launched its inaugural series of retail bonds and raised $90.5 million through the offer.

Happy Birthday PlanBig™

24 February: PlanBig™, the Bank's online resource aimed at connecting like-minded individuals to bring ideas and plans into reality, celebrated its first birthday. Soon after, the initiative was recognised with a Financial Insights Innovation Award for Excellence in Banking 2.0.

Restoring the Balance

25 February: Executives and senior members of staff met with more than 500 **Community Bank®** Directors to discuss the findings of the Bank's review of the **Community Bank®** financial model.

March

Community Bank® Network Returns $50m

31 March: The **Community Bank®** network has returned more than $50 million to support local community groups and projects across Australia since it was established in 1998.

April

Bendigo Wealth Unveiled

11 April: A new era in wealth management at Bendigo and Adelaide Bank was ushered in with the launch of Bendigo Wealth, the Bank's new wealth management division.

May

Fitch's Upgrade Bank's Credit Rating

5 May: Fitch Ratings upgraded Bendigo and Adelaide Bank's Long Term Issuer Default Rating to A- from BBB+. The Bank's outlook was also revised from positive to stable.

June

Community Enterprise Foundation™ Returns $50m

21 June: The Community Enterprise Foundation™ reached a significant milestone, achieving more than $50 million in contributions.

S&P Upgrade Bank's Credit Rating

28 June: S&P revised Bendigo and Adelaide Bank's credit rating from BBB+ stable, to BBB+ positive and also revised the ratings outlook of the Bank's subsidiary, Rural Bank, from BBB+ stable to BBB+ positive.

Connected.

> The Cooroy and Tewantin **Community Bank®** branches have partnered with Rotary and local schools to deliver support to school children in East Timor. The Aussie kids decorate shoe boxes and fill them with stationery and books and send them over. As a result, our kids have got a real sense of responsibility about helping their peers and the East Timorese kids are thrilled to receive the gifts and know that somebody cares for them in another country. It's quite amazing!

Len Tyler, *Noosa Rotary Club*

Our Performance

Company Overview

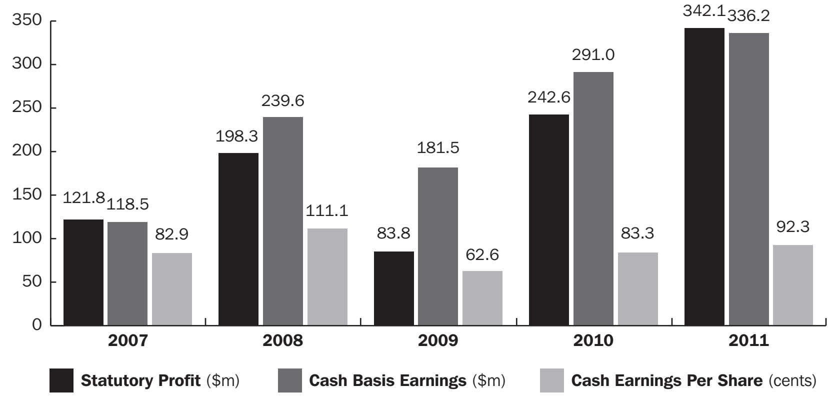
Measure	2010	2011	Change (%)
Cash Earnings Per Share (cents)	83.3	92.3	▲ 10.8
Cash Earnings ($m)	291	336.2	▲ 15.5
Net Profit After Tax ($m)	242.6	342.1	▲ 41.0
Dividend Per Share (cents)[1]	58.0	60.0	▲ 3.4
Cost to Income (%)	58.1	57.4	▼ 1.2
Net Interest Margin	2.12[2]	2.17	▲ 2.4
Cash Basis Return on Equity (%)	8.2	9.1	▲ 11
Cash Basis Return on Tangible Equity (%)	16.4	16.9	▲ 3.1

Balance Sheet	2010	2011	Change (%)
Total Assets ($b)	52.1	54.9	▲ 5.4
Total Liabilities ($b)	48.3	51.0	▲ 5.6
Risk Weighted Assets ($b)	25.3	26.0	▲ 2.7

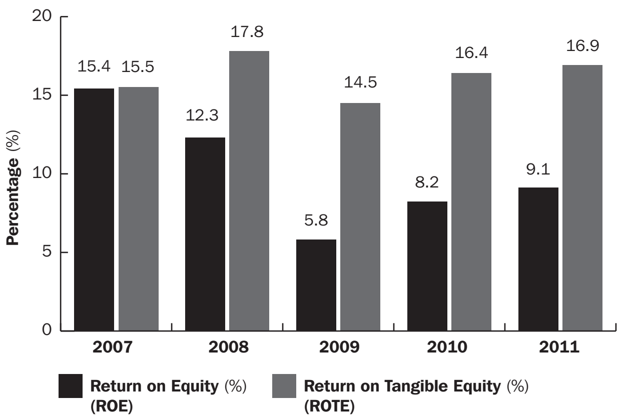
Capital and Funding	2010	2011	Change (%)
Tier 1 Capital (%)	8.55	7.85	▼ 8.2
Total Capital (%)	11.15	10.59	▼ 5.0
Deposit funding (%)[3]	73.0	75.0	▲ 2.7

[1] *Includes 30 cents per share dividend in first half of FY2011.*
[2] *Normalised NIM for FY2010 to include 12 month contribution of Rural Bank.*
[3] *Total funding position.*

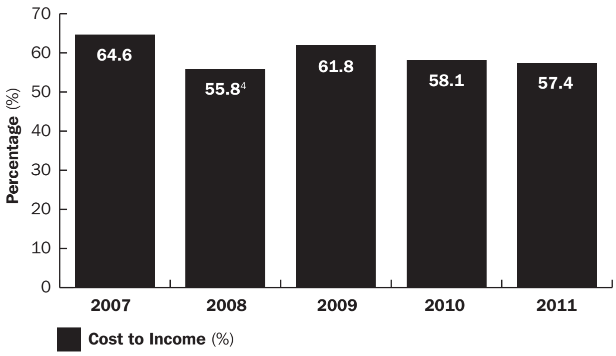
Profit and Earnings



ROE and ROTE

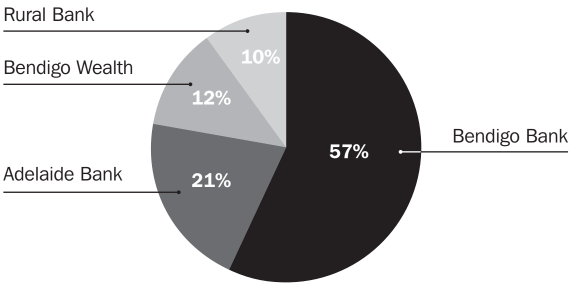


Cost to Income

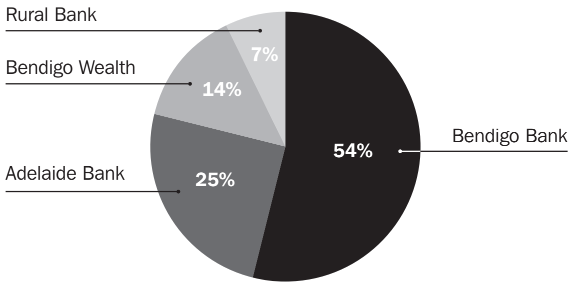


[4] 2008 includes the merger with Adelaide Bank effective 30 November 2007.

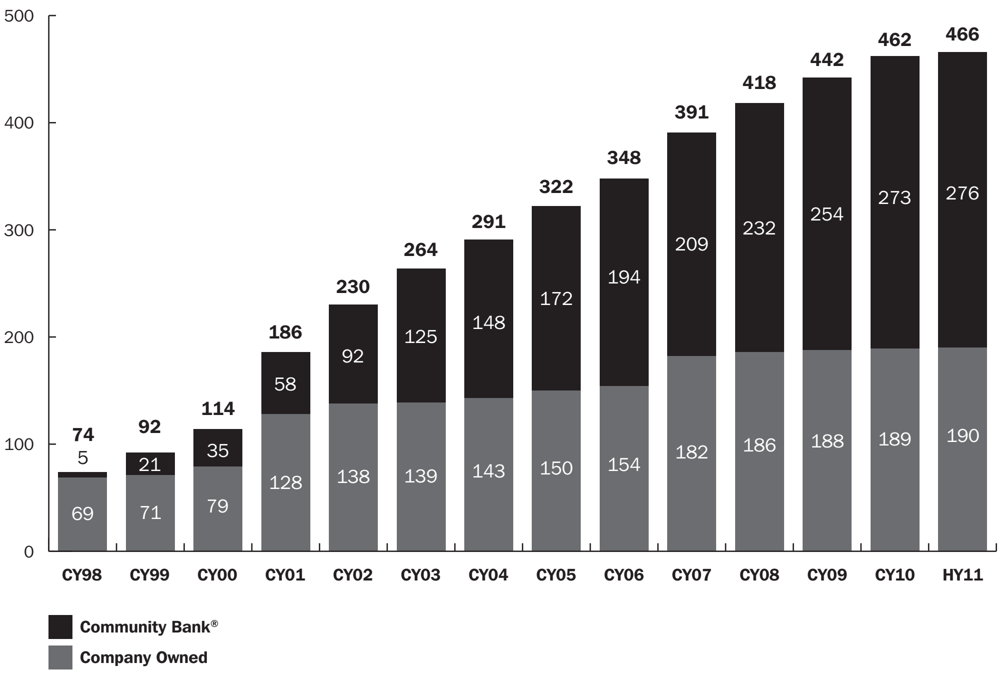
Contribution by Revenue



Contribution by Profit



Branch Growth



Source: BEN internal data.
Notes: 2001 includes FABS acquisition, 2007 includes ADB merger. Excludes Alliances & Private franchises.
CY represents Calendar Year and HY represents Half Year.

over
$58 million
returned to the
community

Relevant.

Our Partners

Bendigo and Adelaide Bank believes partnering with the community is intrinsic to the way in which we conduct our business.

The Bank believes successful customers and successful communities create a successful bank, but only in that order.

This is our point of difference, this is what sets us apart from other banks and this is what makes us a genuine alternative.

Contributing to the communities we serve is the right thing to do and it also makes good business sense.

Community Bank® Network

The Bank and its **Community Bank®** partners are part of a unique banking movement which has evolved into a whole new way of thinking about organising and strengthening communities.

Together we have reached new heights and achieved many great successes. This has been underpinned by our commitment and dedication to the customers we serve and communities we are a part of.

Since the **Community Bank®** network was established in 1998, more than $76 million has been distributed back to local communities, including $58 million to support local groups and projects and $18 million paid in shareholder dividends. All of this equates to new community facilities, better health care, increased transport services and generally speaking, more prosperous communities.

And then there's also the knock-on economic impact to consider. The Bank is in the process of quantifying this figure, but the practical outcomes are obvious; we see it in tenanted shops, increased consumer traffic, retained local capital and new jobs.

Prosperous and inclusive communities are great places in which to do business, resulting in a robust and sustainable earnings outlook for the Bank.

The **Community Bank®** model is unique and successful. It's one of our major points of difference and enables us to connect with more than 550,000 customers, in excess of 270 communities and make a difference in the lives of countless people.

We are proud of the model we have developed and we're very thankful for the opportunity to partner with communities to help build their financial and community balance sheets.

- More than $58 million in revenue returned to support community groups and projects since inception in 1998.
- 68,379 **Community Bank®** shareholders, who have been paid more than $18 million in dividends since inception.
- 276 **Community Bank®** branches with 16 new branches this year.
- 1411 people employed by the **Community Bank®** network.
- 1740 volunteer **Community Bank®** Directors.

Connected.

“A year ago the Inglewood **Community Bank®** Branch gave our community $20,000 to buy a community bus and I volunteer as a driver. The bus has quickly become an invaluable resource in our small community, as it provides door-to-door transport for our special needs people and the elderly. The service has allowed some of our disabled youth to access employment opportunities for the first time and has enabled our elderly to attend social functions.”

Kim Hanlon, *Inglewood* ***Community Bank®*** *Bus Driver*

3214 groups and organisations assisted

Valued.

Our Partners

Community Enterprise Foundation™

Community Enterprise Foundation™ aims to unite local people who care about their community and the communities other people live in.

The Foundation is the Bank's philanthropic arm and believes everyone shares an equal responsibility and opportunity to contribute to our society's ongoing success.

Bendigo Bank's national network allows the Foundation to access more than 570 communities across Australia, enabling us to reach out to people and quickly deliver their goodwill to where it's needed most.

Many hands make light work and we're reminded every day that people who share a goal can achieve great things, even in challenging times.

- More than $50 million in contributions raised since establishment.
- 3214 groups and organisations assisted, with more than $37 million distributed since establishment.
- 864 groups and organisations assisted this year, with more than $9.5 million distributed.
- More than $2.5 million raised to support Australians impacted by natural disasters this year.
- $40,000 raised by our people through the Bank's Staff Giving Program, supporting 15 charities including the Cancer Council, Royal Children's Hospital, Mater Hospital, the Make-A-Wish Foundation and communities hit by natural disaster.

Community Sector Banking

Formed in 2002, Community Sector Banking (CSB) is the only banking service in Australia solely dedicated to the not-for-profit sector.

CSB has a unique ownership model. It is 50 per cent owned by a consortium of 20 not-for-profit organisations, including Australian Council of Social Service, Jobs Australia and Youth Accommodation Association. The remaining 50 per cent is owned by Bendigo and Adelaide Bank.

With specialised knowledge of the sector, CSB has grown to serve more than 4500 organisations, or about 10 per cent of Australia's not-for-profits.

To date, CSB has provided not-for-profit organisations more than $120 million in finance for a variety of reasons including, working capital, expanding premises and building social and affordable housing.

CSB's intimate connection with the not-for-profit sector enables it to design and deliver tailored products and services to these organisations with the aim of contributing to a strengthened and more sustainable sector in Australia.

Relevant.

“Red Cross is always there for people in need, providing relief and long term assistance following disasters and ensuring that communities are empowered which is critical to their recovery.

Red Cross will work closely with communities to aid them with the planning, design and management of their recovery effort. Through the support of the Community Enterprise Foundation™ we’re able to commit to providing support for the long term.”

Andrew Coghlan, *Australia Red Cross*

investing
in Australia's
youth

Our Partners

Scholarships

Investing in Australia's youth and providing them with access to higher education is one of the best ways we can support the development of the next generation of leaders.

Given the right opportunities and support, young people are capable of achieving great things that will enrich the communities each of us live in.

As part of the Bank's commitment to help build stronger communities, the Bendigo and Adelaide Bank Board Scholarship program was established.

Each year grants are awarded to outstanding, but disadvantaged students, from a rural or regional area, who have been offered a full-time place at an Australian university or college campus for the first time.

The scholarship aims to support students who, due to social or financial circumstances, would have struggled to further their education.

With the support of the Bank, their families, friends and the wider community, the impossible can be made possible for these young people.

Sponsorships

The Bank likes to support people, groups and events at a grass-roots level and has long considered sponsorships to be an important part of our continued support of Australian communities.

We partner with a variety of organisations on a national, state and local level and select who we support based on their ability to be relevant, valued and connected, just like us.

We aim to understand the needs of the community through our relationship and reinforce our point of difference through the connection, which should be far more than a one-dimensional financial agreement.

Across our network there are literally hundreds of sponsorships supporting clubs and community groups; from local football and cricket clubs, community festivals through to aerial patrols for beach safety, the Bank is participating in and contributing to our communities.

Valued.

> "I still would have gone to University without the scholarship, but the experience would have been a lot more stressful for both me and my family. With the Bank's help I could cover rent and focus on my studies without worrying about balancing these commitments with work. I'm in my first year of Commerce and Engineering at the University of Melbourne and hope to go on to work in the development of prosthetics."

Emma Smith, *Scholarship Recipient*

committed to the **environment**

Our Partners

Environment and Sustainability

The Bank recognises that its daily business activities have an impact on the environment and we understand our green reputation will play a key role in our future success and that of the customers we serve and communities we partner.

In addition to the green products and services the Bank already offers its customers and the wider community, we have launched our Statement of Commitment to the Environment.

Bendigo and Adelaide Bank

Statement of commitment to the Environment

Bendigo and Adelaide Bank is committed to making a positive contribution to the communities in which it operates.

Our planet is made up of many such communities. For that reason acting in the best interests of the environment just makes sense.

Therefore:

We commit to actively identify opportunities to reduce our environmental footprint.

We will assist our staff, customers, partners, shareholders and communities to identify opportunities to reduce their environmental footprint.

We will consider the environment in all relevant business decisions.

We commit to measure and report our progress as we act to achieve these goals.

Working together we can all make a difference.

Mike Hirst, Managing Director; Marnie Baker, Banking and Wealth; Richard Fennell, Finance and Treasury; Tim Piper, Group Risk; Russell Jenkins, Customer and Community; Dennis Bice, Retail; John Billington, Wealth and Third Party Banking; Andrew Watts, Change; Stella Thredgold, Corporate Resources

All of our people support this commitment and promise to actively identify opportunities which reduce our environmental footprint and assist our customers, partners, shareholders and communities to identify opportunities which reduce their environmental footprint.

We will consider the environment in all relevant business decisions and commit to measure and report our progress as we act to achieve these goals.

We understand we're just one company made up of many people, but with a united commitment, together we can help make our Earth the healthiest it can be.

This is what we believe and it's what we commit to, it's our future.

To ensure we can deliver on our commitment to the environment, the Bank has established an Environment Working Group to examine every aspect of what we do, the impact it has on the environment and how, through simple changes, we can do a better job.

This will not only reduce our environmental impact, but also make us a more efficient organisation.

- 200 tonnes of paper and cardboard recycled by our people.
- 4462 Victorian businesses participated in the Generation Green™ Energy Saver Initiative.
- 19,037 tonnes of greenhouse gas emissions saved through the Energy Saver Initiative.
- 2000 Victorian households participated in free Home Energy Assessments resulting in more than 800 retrofit packages, 550 solar panel systems and 230 solar hot water systems.
- 100 employees participated in the Eco-Driving Trial which aims to increase efficiency and reduce emissions.

Connected.

"Bendigo and Adelaide Bank assisted Central Victoria Solar City in providing more than 2000 home energy assessments across 14 municipalities in Central Victoria. With the help of 31 branches, and financial and in-kind assistance from the Bank, we supported more than 800 households to 'retrofit' their property to make their homes more energy efficient. The Bank also provides the corporate lease agreement for Victoria's only grid-connected solar parks, which are now generating green power electricity."

Leah Sertori, *Central Victoria Solar City*

Valued.

Our Partners

Community Telco™

Like the **Community Bank®** model, Community Telco™ enables communities to aggregate their business to generate revenue which creates positive community outcomes.

Community Telco™ currently provides telecommunications solutions through eight companies in nine regional communities. By bringing together the telco spend of local businesses, these companies can influence carriers to offer greater service delivery and competition. But more importantly, they can return revenue to communities.

Around 100 local community groups and organisations have received support nationally since Community Telco™ was established in July 2003. Some of the communities supported this year have been Peter's Project Warrnambool, a campaign established in memory of Peter Jellie which aims to bring improved cancer-care services to south-west Victoria.

The STEMM Program on the Sunshine Coast provides teenage mothers with education, mothering and mentoring support. While the Turn a Life Around organisation in Bendigo provides assistance to children with autism.

Community Telco™ companies also provide new employment opportunities and contribute to local economies, which makes these places an attractive investment destination for big and small business.

Our People

During the past 153 years, thousands of employees have worked tirelessly to build Bendigo and Adelaide Bank up to what it is today and their hard work has cemented our reputation as being customer-focused and community-driven.

Today, our company is made up of almost 5800 people who strive every day to make our Bank Australia's leading customer-connected bank.

They work in more than 430 communities across Australia to deliver industry-leading customer service, create innovative banking products and partner to implement solutions which strengthen communities.

Our people understand they have a responsibility to act as the stewards of the Bank and its culture and to continue our tradition of making meaningful contributions to communities.

Our past, present and future is in the safe hands of our staff as they continue to set new standards in customer satisfaction and find innovative ways to connect with the communities they work in.

We know a company is only as good as the people who work for it and our Bank boasts a confident, capable and proud team.

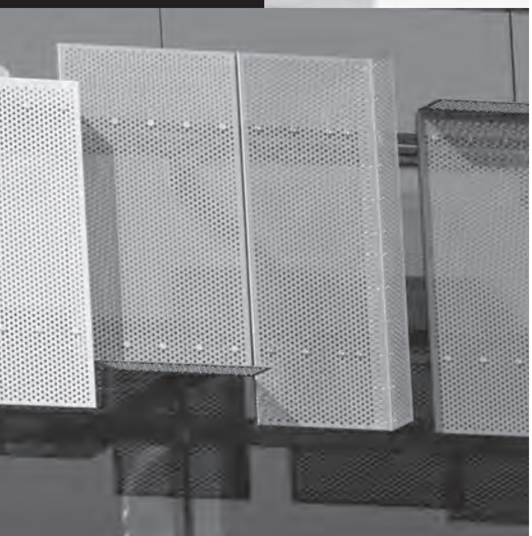
Photograph courtesy of The Advertiser (Bendigo) 3 March, 2011.

Relevant.

"I try to draw on my own experiences and offer guidance when it comes to future planning, career and goal setting. It's good for the students to have someone other than family and teachers to talk to about their career prospects. It's also good for me, as I have an opportunity to develop leadership skills and give something back to my community."

Samara Beckett, *Bendigo and Adelaide Bank*

Connected.



Our Board

Robert Johanson, *Chairman (independent)* BA, LLM (Melb), MBA (Harvard), 60 years.

Mr Johanson has been a Bank Director for 24 years. He was appointed Deputy Chairman in 2001 and became Chairman in 2006. He has experience in banking and financial services and expertise in corporate strategy, capital management, risk management and mergers and acquisitions, and has more than 20 years experience in providing corporate advice on capital market transactions to a wide range of public and private companies.

Board committees: Governance & HR, Change Framework & Technology Governance.
Other director and memberships: Member, Takeovers Panel; Deputy Chancellor, University of Melbourne; Director, Robert Salzer Foundation Ltd and Grant Samuel Group Pty Ltd.

Mike Hirst, *Managing Director (not independent)* BCom (Melb), 53 years.

Mr Hirst was appointed as Managing Director and Chief Executive Officer of the Bank in 2009. He joined the group when he was appointed as a Director of Sandhurst Trustees Limited in 2001 and became an employee of the Bank the same year. He has experience in banking, treasury, funds management and financial markets, including from previous senior executive and management positions with Colonial Ltd, Chase AMP Bank and Westpac.

Board committees: Credit, Risk.
Other director and memberships: Director, Treasury Corporation of Victoria; Member, Financial Sector Advisory Council and Business Council of Australia; Councillor, Australian Bankers' Association.

Kevin Abrahamson, *(independent)** BSc (Hons), MA, MBA, FAICD, FFin, FAIM, 66 years.

Mr Abrahamson joined the Adelaide Bank Board in 2000 and the Bendigo and Adelaide Bank Board in 2007. As a specialist in the area of corporate strategy and information technology, he has worked as a consultant in 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.

Board committees: Audit, Change Framework & Technology Governance.
Other director and memberships: None.

* *Mr Abrahamson will retire at the 2011 AGM.*

Jenny Dawson, *(independent)* B Bus (Acc), FCA, MAICD, 46 years.

Ms Dawson joined the Board in 1999 and has experience in financial reporting and audit, IT internal control reviews, internal audit and risk management. She has worked with Arthur Andersen for ten years in the audit and IT controls division, and also worked at the Bank until 1999.

Board committees: Audit (Chair), Credit.
Other director and memberships: Member, Victorian Regional Policy Advisory Committee; Chairman, Regional Development Australia Committee for the Loddon Mallee Region; Director, Goulburn-Murray Water.

Jim Hazel, *(independent)* BEc, FFin, 60 years.

Mr Hazel joined the Board in 2010 and is a professional public company Director who has had an extensive career in banking and investment banking. This includes knowledge of the regional banking industry. He was Chief General Manager of Adelaide Bank (his employment ended in 1999).

Board committees: Risk, Credit, Governance & HR.
Other director and memberships: Chairman, RED Fund Management Pty Ltd; Director, Centrex Metals Limited, Impedimed Limited, Motor Accident Commission, Coopers Brewery Limited, Precision Group Pty Ltd, Council on the Ageing Inc, Veterans' Homes (Myrtle Bank) Inc. and Adelaide Football Club Limited.

Jacqueline Hey, *(independent)** BCom (Melb), Graduate Certificate in Management (Southern Cross University), MAICD, 45 years.

Ms Hey joined the Board in July 2011 and has experience in the areas of telecommunications, marketing and sales, including as CEO of Ericsson in the UK and in Australia. She worked with Ericsson for more than 20 years in finance, marketing and sales and in leadership roles in Australia, Sweden, the UK and the Middle East.

Board committees: Audit, Risk, Change Framework & Technology Governance.
Other director and memberships: Special Broadcasting Service (SBS) and Honorary Consul of Sweden for Victoria.

** Ms Hey is standing for election at the 2011 AGM.*

David Matthews, *(independent)* Dip BIT, GAICD, 53 years.

Mr Matthews joined the Board in 2010 and has experience in small business and agri-business. He is involved in a number of agricultural industry bodies including Pulse Australia and Australian Field Crops Association. He has a strong connection to regional communities and chaired the first **Community Bank®** company in Rupanyup and Minyip.

Board committees: Audit, Credit.
Other director and memberships: Director, Pulse Australia, Australian Field Crops Association, Rupanyup/Minyip Finance Group Ltd.

Terry O'Dwyer, *(independent)* B Com, Dip Adv Acc, FCA, FAICD, 61 years.

Mr O'Dwyer joined the Board in 2000 and was a Director of First Australian Building Society Limited which was acquired by Bendigo Bank in 2000. He has expertise in accounting and corporate finance and was a partner at BDO Kendalls (Chartered Accountants) for 28 years.

Board committees: Audit, Risk, Change Framework & Technology Governance (Chair).
Other director and memberships: Chairman, Metal Storm Ltd; Director, Queensland Theatre Company Ltd, Backwell Lombard Capital Pty Ltd and Retravision Southern Ltd.

Deborah Radford, *(independent)* B.Ec, G. Dip Finance & Investment, 55 years.

Ms Radford joined the Board in 2005 and has more than 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.

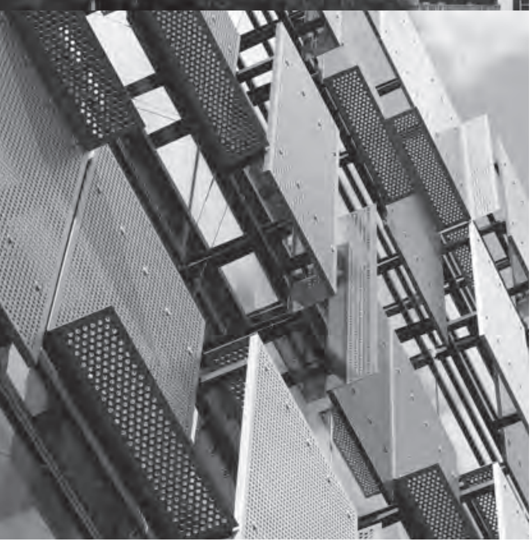
Board committees: Credit (Chair), Change Framework & Technology Governance, Governance & HR.
Other director and memberships: Director, Forestry Tasmania and City West Water.

Tony Robinson, *(independent)* B Com (Melb), ASA, MBA (Melb), 53 years.

Mr Robinson joined the Board in 2005 and is the Managing Director of Centrepoint Alliance Limited. He has experience in the financial services sector including wealth management and insurance. His previous management roles include Chief Executive Officer and Executive Director of IOOF Holdings Ltd, Managing Director and Chief Executive Officer of OAMPS Limited, joint Managing Director of Falkiners Stockbroking, Managing Director of WealthPoint, Chief Financial Officer of Link Telecommunications and General Manager Corporate Services at Mayne Nickless.

Board committees: Risk (Chair), Governance & HR (Chair).
Other director and memberships: Director, Centrepoint Alliance Limited.

Valued.



Our Executive

Mike Hirst,
Managing Director

It's Bendigo and Adelaide Bank's aim to be Australia's leading customer-connected bank and to achieve this vision our people must have this goal front of mind every time they help a customer, support a partner, interact with each other or get involved with a community. We believe as a bank, our role is to feed into prosperity not off it. If we can deliver on this promise our Bank will be relevant, connected and valued.

Marnie Baker,
Banking and Wealth

Banking and Wealth is focussed on customer outcomes. We understand our customers will choose how they wish to engage with our organisation and it is then up to us, through our actions, to ensure their experience is a positive one. By listening to our customers and providing a personalised, seamless and integrated experience, we can deliver relevant outcomes to meet their specific needs.

Dennis Bice,
Retail

Distribution, customer, community and people represent the key areas of focus for the retail distribution network. By ensuring these pillars of focus remain at the forefront of all the activities operating within the network, we can ensure we are all working towards, and contributing to, an active evolution of the customer experience. This is how we can achieve our vision to be Australia's leading customer-connected bank.

John Billington,
Bendigo Wealth

Bendigo Wealth has a long-term vision and strategy that will deliver relevant wealth creation and protection offerings to our customers and business partners. We take a whole-of-life view of our customers and partners, and match the relevant stages of their life with holistic product and service offerings. Bendigo Wealth exists to grow, protect and enhance the wealth of all who choose to deal with us.

Richard Fennell,
Finance and Treasury

Finance and Treasury is committed to providing a range of financial services and solutions to our internal and external customers and stakeholders. These services include the active management of the Bank's funding and capital, provision of relevant information, insights and analysis for business decision making and meeting all necessary statutory and regulatory requirements. These services are provided by a team of dedicated professionals based in Bendigo, Adelaide and Melbourne.

Russell Jenkins,
Customer and Community

Customer and Community are the champions of the Bank's strategic focus, community and engagement activities and brand development. Our role is to build and expand on the unique point of difference and our brand and service proposition to bring customers to our doors. We do this through our various business streams including Strategy, Marketing, Customer Help, **Community Bank®**, Community Solutions and Partnering, and Community Strengthening.

Tim Piper,
Risk

Risk aims to ensure our Bank has a strong and consistent internal operating environment which provides a solid foundation, so that our customers and partners receive a first-class experience every time they deal with us. We will quickly identify if any aspect of our businesses need improving and respond. We genuinely believe that a strong and consistent offering of well-designed and delivered products and services is good for our customers, partners and the community.

Stella Thredgold,
Corporate Resources

Corporate Resources provides expert advisory and support services that enable the Bank and its people to succeed. We work to foster an environment that has engaged and capable staff, who enjoy development opportunities which will make them, and in-turn their customers, successful now and into the future. Our people should feel valued, empowered and aligned to our culture and strategy, and have access to effective and efficient services which allow our Bank to be responsive and proactive when dealing with the ever-changing environment, while identifying, understanding and mitigating risk.

Andrew Watts,
Change

To become Australia's leading customer-connected bank we need to continue to respond to the changing needs of our customers. The Change division works with Banking and Wealth, our partners and supporting business units to identify, coordinate and deliver change initiatives to achieve the Bank's strategic and operational goals. Successful change spans people, process and technology.

Full Financial Report

For the 12 month period ending

30 June 2011

At Bendigo and Adelaide Bank we aim to be Australia's leading customer-connected bank.

Bendigo and Adelaide Bank

TABLE OF CONTENTS

CORPORATE GOVERNANCE

Our Vision

We aim to be Australia's leading customer-connected bank

Our Strategy

- Our strength comes from our focus on the success of our customers, people, partners and communities
- We take a 100 year view of the business
- We listen
- We respect everyone's choice, needs and objectives
- We partner for sustainable long term outcomes

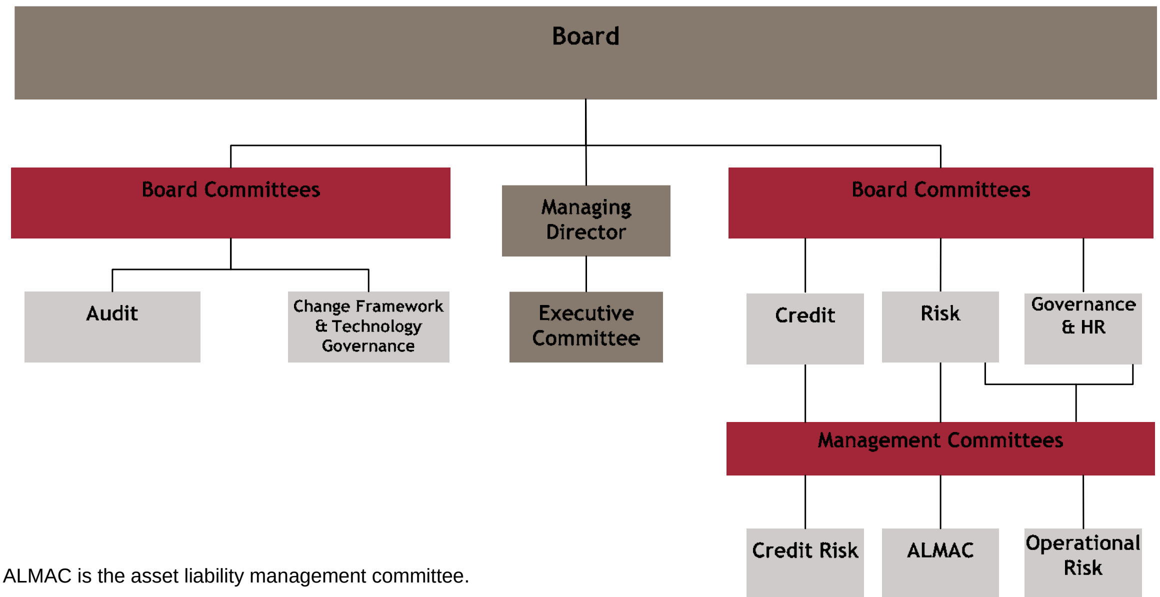
1. Introduction

Bendigo and Adelaide Bank Limited endorses the importance of good governance, first as a system of processes and practices to help achieve better decision-making and improved shareholder value, and secondly as a risk management tool to contribute to appropriate oversight and monitoring. Robust governance is essential to our strategy of taking a long term view of our business.

The board believes that the Company's commitment to high standards of corporate governance and integrity in the conduct of its business has been an important element of its success in its 153-year history.

The governance processes and practices adopted by the Company take into account the ASX Corporate Governance Council *"Corporate Governance Principles and Recommendations"* and APRA standards and guidance, including *"Prudential Standard APS 510 Governance"*.
A checklist summarising adoption of the *Corporate Governance Principles and Recommendations* and the annual report reference is included in the governance section of the Company's website - *www.bendigoadelaide.com.au/public/corporate_governance/index.asp*. The governance documents referred to below can also be accessed from this location.

The following provides an overview of the Company's corporate governance structure.



Note: ALMAC is the asset liability management committee.

The governance statement is structured as follows.

2. Key governance developments 2010-2011

- Approval of diversity policy (see 4.3)
- Review of board performance process and introduction of enhancements (see 3.6)
- Review of board skills and experience and director search (see 3.3.7)
- Introduction of “Shareholder questions” for the board and board bulletin on our website (see 4.4.2)

3. Board

3.1 The directors

ASX Corporate Governance Council: Recommendations 2.6, 4.4
Website: Board charter

The biographical details of the directors of the Company are set out below.

Robert Johanson, Chair, Independent

BA, LLM (Melb), MBA (Harvard), 60 years

Term of office: Mr Johanson has been a Company director for 24 years. He was appointed Deputy Chair in 2001 and Chair in 2006.

Skills, experience and expertise: Mr Johanson has experience in banking and financial services and expertise in corporate strategy, capital management, risk management and mergers and acquisitions. He has over 20 years experience in providing corporate advice on capital market transactions to a wide range of public and private companies.

Board committees: Governance & HR, Change Framework & Technology Governance

Group and joint venture directorships: Rural Bank Ltd, Homesafe Solutions Pty Ltd (Chair)

Other director and memberships (current and within last 3 years):

Member, Takeovers Panel

Deputy Chancellor, University of Melbourne.

Director, Robert Salzer Foundation Ltd and Grant Samuel Group Pty Ltd (and subsidiaries). Grant Samuel provides professional advisory services to the Company (see 3.4.1)

Mike Hirst, Managing Director, not independent

BCom (Melb), 53 years

Term of office: Mr Hirst was appointed as managing director and chief executive officer of the Company in 2009.

Skills, experience and expertise: Mr Hirst joined the group when he was appointed as a director of Sandhurst Trustees Limited (a wealth management subsidiary of the Company) in 2001 and he became an employee of the Company later in 2001. Mr Hirst has experience in banking, treasury, funds management and financial markets, including from previous senior executive and management positions with Colonial Ltd, Chase AMP Bank and Westpac.

Board committees: Credit, Risk

Group and joint venture directorships: Rural Bank Limited

Other director and memberships (current and within last 3 years):

Director, Treasury Corporation of Victoria

Member, Financial Sector Advisory Council and Business Council of Australia

Councillor, Australian Bankers' Association

Director, Barwon Health (ended 2009)

Kevin Abrahamson, Independent

BSc (Hons), MA, MBA, FAICD, FFin, FAIM, 66 years

Note: Retiring at the 2011 Annual General Meeting

Term of office: Mr Abrahamson joined the Adelaide Bank board in 2000 and the Bendigo and Adelaide Bank board in 2007.

Skills, experience and expertise: As a specialist in the area of corporate strategy and information technology, Mr Abrahamson has worked as a consultant in 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.

Board committees: Audit, Change Framework & Technology Governance

Group and joint venture directorships: n/a

Other director and memberships (current and within last 3 years): n/a

Jenny Dawson, Independent

B Bus (Acc), FCA, MAICD, 46 years

Term of office: Ms Dawson joined the board in 1999.

Skills, experience and expertise: Ms Dawson has experience in financial reporting and audit, IT internal control reviews, internal audit and risk management. Ms Dawson worked with Arthur Andersen for ten years in the audit and IT controls division, and also worked for the Company (her employment ended in 1999).

Board committees: Audit (Chair), Credit

Group and joint venture directorships: Sandhurst Trustees Limited (Chair), Community Sector Banking Pty Ltd, Community Sector Enterprises Pty Ltd

Other director and memberships (current and within last 3 years):

Member, Victorian Regional Policy Advisory committee

Chair, Regional Development Australia committee for the Loddon Mallee Region

Director, Goulburn-Murray Water

Former director, Coliban Region Water Corporation (ended 2010)

Jim Hazel, Independent

BEc, FFin, 60 years

Term of office: Mr Hazel joined the board in 2010.

Skills, experience and expertise: Mr Hazel is a professional public company director who has had an extensive career in banking and investment banking. This includes knowledge of the regional banking industry. He was Chief General Manager of Adelaide Bank (his employment ended in 1999).

Board committees: Risk, Credit, Governance & HR

Group and joint venture directorships: Director, Rural Bank Limited

Other director and memberships (current and within last 3 years):

Chair, RED Fund Management Pty Ltd

Director, Centrex Metals Limited (listed, period of directorship: 2010 to present), Impedimed Limited (listed, period of directorship: 2007 to present), Motor Accident Commission, Coopers Brewery Limited, Precision Group Pty Ltd, Council on the Ageing Inc, War Veterans' Homes (Myrtle Bank) Inc, Adelaide Football Club Limited

Former director, Xenome Limited (ended 2011), Terramin Australia Limited (2007 – 2009) and Becton Property Group (2006 – 2010).

Jacqueline Hey, Independent
BCom (Melb), Graduate Certificate in Management (Southern Cross University), (MAICD), 45 years
Note: Standing for election at the 2011 AGM

Term of office: Ms Hey joined the board in July 2011.

Skills, experience and expertise: Ms Hey has experience in the areas of telecommunications, marketing and sales, including as CEO of Ericsson in the UK and in Australia. She worked with Ericsson for more than 20 years in finance, marketing and sales and in leadership roles in Australia, Sweden, the UK and the Middle East.

Board committees: Audit, Risk, Change Framework & Technology Governance

Group and joint venture directorships: Nil

Other director and memberships (current and within last 3 years):

Director, Special Broadcasting Service (SBS) and Honorary Consul of Sweden for Victoria.
Former director of Victorian Branch of Australian Industry Group (AIG) (ended 2010),
Australian Mobile Telecommunications Association (ended 2010) and
Ericsson Group Companies (Australia & New Zealand) (ended 2010)

David Matthews, Independent
Dip BIT, GAICD, 53 years

Term of office: Mr Matthews joined the board in 2010.

Skills, experience and expertise: Mr Matthews has experience in small business and agri-business. He has involvement in a number of agricultural industry bodies including as a director of Pulse Australia and Australian Field Crops Association. Mr Matthews has a strong connection to regional communities and is an advocate and supporter of the **Community Bank®** model. He chaired the first **Community Bank®** company in Rupanyup and Minyip in 1998.

Board committees: Credit, Audit

Group and joint venture directorships:

Co-chair of the **Community Bank®** Strategic Advisory board. The board was established in 2008 and comprises representatives from the Company and from **Community Bank®** company franchisees. Its purpose is to provide a forum for discussion between the Company and **Community Bank®** franchisees on strategic issues and opportunities that enhance the prospects of the **Community Bank®** model.

Other director and memberships (current and within last 3 years):

Director, Pulse Australia, Australian Field Crops Association, Rupanyup/Minyip Finance Group Ltd

Terry O'Dwyer, Independent
B Com, Dip Adv Acc, FCA, FAICD, 61 years

Term of office: Mr O'Dwyer joined the board in 2000. Mr O'Dwyer was a director of First Australian Building Society Limited which was acquired by Bendigo in 2000.

Skills, experience and expertise: Mr O'Dwyer has expertise in accounting and corporate finance. He was a partner in BDO Kendalls (Chartered Accountants) for 28 years and headed its corporate finance division before being appointed chair.

Board committees: Audit, Risk, Change Framework & Technology Governance (Chair)

Group and joint venture directorships: n/a

Other director and memberships (current and within last 3 years):

Chair, Metal Storm Ltd (listed, period of directorship: 2007 to present)

Director, Queensland Theatre Company Ltd, Backwell Lombard Capital Pty Ltd and Retravision Southern Ltd.

Deb Radford, Independent
B.Ec, G. Dip Finance & Investment, 55 years

Term of office: Ms Radford joined the board in 2005.

Skills, experience and expertise: Ms Radford has over 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.

Board committees: Credit (Chair), Change Framework & Technology Governance, Governance & HR

Group and joint venture directorships: n/a

Other director and memberships (current and within last 3 years):

Director, Forestry Tasmania and City West Water.

Tony Robinson, Independent
B Com (Melb), ASA, MBA (Melb), 53 years

Term of office: Mr Robinson joined the board in 2005.

Skills, experience and expertise: Mr Robinson is the managing director of Centrepoint Alliance Limited and has experience in the financial services sector including wealth management and insurance.

His previous management roles include chief executive officer and executive director of IOOF Holdings Ltd, managing director and chief executive officer of OAMPS Limited, joint managing director of Falkiners Stockbroking, managing director of WealthPoint, chief financial officer of Link Telecommunications and general manager corporate services at Mayne Nickless.

Board committees: Risk (Chair), Governance & HR (Chair)

Group and joint venture directorships: n/a

Other director and memberships (current and within last 3 years):

Director, Centrepoint Alliance Limited (listed, period of directorship: 2009 to present)

Former director, IOOF Holdings Limited (listed, period of directorship: 2007-2009).

3.2 Board role

ASX Corporate Governance Council: Recommendations 1.1, 1.3, 2.1, 2.2, 2.3

Website: Constitution, board charter, board policy

The board charter sets out the responsibilities of the board. Except in relation to any matters reserved to the board under the charter, the day-to-day management of the Company and its operations is delegated to management.

The role of the board includes the following.

- Approve the group strategy and financial objectives and monitor the implementation of those strategies and objectives. This includes reviewing the assumptions and rationale underlying the financial forecast (on at least an annual basis), and assessing the group's financial position and performance. Financial reporting is discussed in more detail in section 6 below.
- Decide the expenditure authorisation limits to be delegated to management and approve expenditure above those levels, and decide any other delegations to management.
- Approve investments and strategic commitments that may have a material effect on the assets, profits or operations of the Company.
- Monitor compliance with prudential regulations and standards.
- Conduct an annual assessment of itself and individual directors.
- Decide the board committees, their role and membership, and monitor the performance of committees.
- Decide on the appointment and removal of the managing director.
- Review the recommendations of the governance & HR committee in relation to remuneration matters, governance matters, and human resources matters, and make decisions in relation to those recommendations. For example, this includes the remuneration policy, equity plans, governance practices and occupational health and safety.
- Review the recommendations of the audit committee, including in relation to external audit, internal audit, statutory reporting, internal controls and prudential requirements and make decisions in relation to those recommendations.
- Oversee the establishment, implementation, review and monitoring of risk management systems and policies for balance sheet and off-balance sheet risk, for operational risk (including regulatory compliance and business continuity) and for liquidity risk and credit risk.

3.3 Board composition – requirements

ASX Corporate Governance Council: Recommendation 2.6

Website: Constitution, board policy, board renewal schedule

3.3.1 Number

The Company's current constitution provides that the number of directors is to be decided by the board, being not fewer than three and not more than twelve. An amendment is proposed at 2011 Annual General Meeting for approval to change the maximum number of directors to ten.

3.3.2 Attributes

The board expects all directors to have the following attributes.

- Sound business judgment
- Strategic perspective
- Integrity
- Listening skills
- Preparedness to question, challenge and critique
- Good communicator
- Ability to operate in a team
- Leadership qualities
- Capacity to understand the Company's approved strategy and embrace that strategy

3.3.3 Fit and proper

In addition, all directors must meet fit and proper standards under the Company's fit and proper policy, which addresses the requirements of APRA's Prudential Standard APS520 *"Fit and Proper".* Directors are assessed before appointment and then annually. All directors have been assessed as fit and proper.

3.3.4 Independence

(a) General

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 sets out the test for the purpose of assessing the independence of non-executive directors as follows: "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.

The board has assessed each non-executive director as independent. In making that assessment, the board has taken into account any relationship the director has with the Company and the following.

- No director is, or is associated directly with, a substantial shareholder of the Company.
- No director, except as disclosed in this governance statement, has been employed by the Company or any of its subsidiaries.
- No director is, or is associated directly with, a professional adviser, consultant, supplier, customer or other contractor of the Company 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 the Company which affects independence.
- No related party dealing referable to any director is material under accounting standards.

The chair of the board must be independent and must not be the managing director.

(b) Mr Johanson

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

The Company obtains corporate advisory services from investment banking and corporate advisory firms, which includes Grant Samuel. In choosing a provider for corporate advisory services, the factors the Company takes into account include the type of assistance required, the expertise of the firm and individuals in the firm, their understanding of the Company and its strategy, and the cost of the services. The Company has a long standing and valuable relationship with Grant Samuel. Grant Samuel brings a sound understanding of the Company, its strategy and its approach to opportunities. Steps are taken to make sure Grant Samuel also prices work competitively.

The board believes that the engagement of Grant Samuel does not prejudice the independence of Mr Johanson. The board has adopted a protocol for the engagement of Grant Samuel, and it is unlikely that the Company would approve an engagement if it believed that the engagement could impact on the independence of Mr Johnson. The protocol is discussed further below – see 3.4.1.

During the reporting period Grant Samuel was engaged to provide advice on the acquisition of the remaining interest in Rural Bank Limited, the Adelaide accommodation project, Great Southern managed investment schemes and arrangements with Australia Post.

3.3.5 Skills and experience

The Company appoints directors with appropriate skills and experience to contribute to the effectiveness of the board and to provide leadership and contribute to the success of Company.

This involves taking into account the Company's strategy (set out above), which includes building a long term sustainable business focusing on the success of our customers, people, partners and communities. This delivers prosperity for stakeholders, which in turn creates prosperity for the Company and it shareholders.

The board regularly reviews the necessary skills, knowledge and experience represented on the board to deliver the strategy of the group, including as part of the annual performance assessment process.

The board has developed a skills matrix. 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. The criteria from the matrix are set out below.

Industry

1. Banking industry
   Note, this includes the following:
   - Retail banking and distribution
   - Capital management, including capital and financial markets and treasury
   - Regulation, including prudential regulation
2. Wealth management industry

Subject matter specific

3. Governance
4. Accounting and financial reporting
5. Legal
6. Technology and telecommunications
7. Corporate finance/investment banking
8. Risk management

General

9. Business
10. Listed Company board
11. Retailing
    Note, this includes sales, branding and marketing
12. Understanding of regional and community issues

In addition, as the Company's vision is 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. Directors are expected to bring an understanding of local priorities and ambitions.

3.3.6 Diversity

At a board level it is recognised that the different perspectives diversity brings promotes better decision-making and more effective board performance. See 4.3 for a discussion of diversity.

3.3.7 Renewal and re-election

The board has adopted a renewal process to ensure the progressive and orderly renewal of the board.

Having regard to the complexities of the financial services and banking industry, it takes time for new directors to develop expertise and knowledge of the industry, the Company and the group. The Company has an expectation of a reasonable period of tenure for directors, at least 10 years, to make sure that each director is able to make a significant contribution to the Company, having regard to the expected increase in contribution over the years as the director develops their expertise and knowledge.

Also, having regard to the Company's strategy to build a sustainable business, corporate memory is important and there is a benefit in board continuity across economic cycles and changes in the market environment.

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 receives a statement of contribution from the director seeking re-election. In making a decision whether to recommend re-election, the board takes into account the statement of contribution and the director's performance assessment. The board also takes into account the skills and experience needed on the board and the skills and experience of the current board.

The board published a four year renewal process in 2009, which is reviewed regularly. Since then, two directors have retired (both in 2009) and one is retiring at the end of the 2011 Annual General Meeting. Three directors have been appointed (two in 2010 and one in 2011).

In 2011, the board conducted, through the governance & HR committee, a rigorous process for the appointment of a new director. This involved a review of the skills and experience on the board, taking into account the planned retirement of directors and the group's strategy. An external consultant was engaged to conduct a search which produced a number of quality candidates for consideration, followed by an extensive interview process before an appointment was made.

3.4 Board processes and meetings

ASX Corporate Governance Council: Recommendation 2.8
Website: Board charter

3.4.1 Conflicts

(a) General

Each director is required to disclose to the board any interest that may create a direct or indirect conflict with the director's duties to the Company. The disclosure must include full details of the nature, character and extent of the conflict or potential conflict and be made as soon as the director becomes aware of the conflict or potential conflict.

In addition, each director must comply with the requirements in the Corporations Act about disclosing a material personal interest.

A director who has a material personal interest in a matter being considered at a directors' meeting may not be present at that meeting while the matter is being considered and may not vote on that matter, unless the directors present at the meeting (who are not affected by a material personal interest at that time) resolve that the interest should not disqualify the director from being present or from voting or the director would otherwise be entitled to be present and to vote under the Corporations Act. The reasons for a resolution allowing the interested director to be present and vote are to be included in the minutes.

A director may have personal dealings with the Company or may be involved in other companies or professional firms who may have dealings with the Company. Full details of related party dealings are set out in notes to the Company's full financial statements.

(b) Mr Johanson

As discussed above, as Mr Johanson is a director of Grant Samuel, the board has adopted a protocol for the engagement of Grant Samuel. 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. In making a decision the board must consider 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 Company.
- Whether Mr Johanson may be present and participate in board discussions and vote on the matter about which Grant Samuel provides advice.
- Whether the engagement of Grant Samuel is in the best interests of the Company.

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

***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 Company 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 with the Company is to be through 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 Company.
- 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 if he has any concerns, to raise those concerns with the managing director or the board.

3.4.2 Access to information, employees and others

The board is entitled to seek any information it requires from any employee or from any other source. It is entitled to meet with employees and third parties without the presence of management. The board may, by invitation, request employees and third parties to attend board meetings. The external auditor may request to meet with the board. Each director is entitled to access to board papers for seven years after the director's appointment ends.

A director may obtain independent professional advice at the reasonable cost to the Company with approval of the chair of the board (or, if the chair refuses to give approval, the board).

3.4.3 Meetings and attendances

Director	Meetings	
	Eligible to attend	Attended
Robert Johanson	13	13
Kevin Abrahamson	13	12
Jenny Dawson	13	13
Jim Hazel	13	12
Mike Hirst	13	12
David Matthews	13	12
Terry O'Dwyer	13	12
Deb Radford	13	12
Tony Robinson	13	11

3.4.4 Induction

On appointment, all directors are provided with an induction program for the board (and relevant committees). This involves familiarising directors with the business and strategy and includes the provision of a comprehensive suite of documentation including business information, charters and policies, as well as meetings with key management and branch visits.

3.5 Board committees

ASX Corporate Governance Council: Recommendations 2.6, 4.1, 4.2, 4.3, 4.4, 8.1, 8.3

Website: Charters for governance & HR committee and audit committee, summary of charters for Risk, Credit and Change Framework & Technology Governance, committee procedural rules

3.5.1 Overview of committees and roles

The board is assisted in discharging its responsibilities by the board committees set out in the table below. The board receives the minutes of all committees at the following board meeting after the minutes have been signed.

A committee can seek information from any group employee or any other source and meet with employees and third parties without the presence of management. A committee may consult with a professional adviser or expert at the cost of the Company, if the committee considers it necessary to carry out its responsibilities.

Committee	Requirements about composition	Members	Role – to assist the board in relation to the following
Audit	• At least 3 members • All independent directors • An independent chair, who is not chair of the board • All members must be financially literate • At least one member must have financial expertise (as a qualified accountant or as a financial professional with experience of financial and accounting matters) • At least one member must have an understanding of the industry in which the bank operates	Ms Dawson (Chair) Mr Abrahamson Mr O'Dwyer Ms Hey (from 5 July 2011) Mr Matthews (from 7 July 2011) *Retired* Ms Radford (from 5 July 2011)	• External audit function, including prudential audit requirements • Group Assurance (internal audit & credit risk review) function • Statutory financial and APRA reporting • Internal control framework *Note: see further information in 6.1 below.*
	Key activities during reporting period included the following. • Approval of the group annual external audit plan • Approval of the annual group assurance work program and monitoring actions arising from the program • Assessment and confirmation of the independence and effectiveness of the group assurance function • Oversight of the program to support the half-year and full-year financial reporting and risk management declaration by the managing director and chief financial officer • Assessment and recommendation to the board each half year on the independence of the external auditor • Monitoring the integrity of statistical reporting to the Australian Prudential Regulation Authority • Assessment and confirmation of actions from group assurance function's independent quality assurance review • Consideration and confirmation of results of review of asset carrying value and impairment assessments for half-year and full-year • Oversight of taxation developments impacting financial institutions		

<table>
<tr><th>Committee</th><th>Requirements about composition</th><th>Members</th><th>Role – to assist the board in relation to the following</th></tr>
<tr><td rowspan="2">Governance & HR (Human Resources)</td><td>• At least 3 members
• A majority of independent directors
• An independent chair

Collectively the skills are to include:

• Experience in setting remuneration
• Sufficient industry knowledge to allow for effective alignment of remuneration with prudent risk-taking</td><td>Mr Robinson (Chair)
Mr Johanson
Mr Hazel
Ms Radford</td><td>• Board composition and succession planning
• Board performance
• Remuneration including executive remuneration policy
• Recommend remuneration arrangements for the managing director and senior executives to the board
• Corporate governance matters generally
• Key human resource policies</td></tr>
<tr><td colspan="3">Key activities during reporting period included the following.

Governance

• Assessment and recommendation to board of changes to all governance policies, including update of share trading policy to take into account ASX changes
• Oversight of development of diversity policy and recommendation to board
• Oversight of NED search process and recommendation to board on preferred candidates
• Review and recommendation to board of enhancements to board performance process

Remuneration

• Confirmation and recommendation to board of remuneration settings for senior executives and other designated employees for 2011
• Monitoring of LTI tracking and recommendation to board of STI deferral plan
• Review and recommendation to board of NED fee proposals for 2012

Human Resources

• Review and confirmation of group leadership and development strategy</td></tr>
<tr><td rowspan="2">Risk</td><td>• At least 3 members
• A majority of independent directors
• An independent chair</td><td>Mr Robinson (Chair)
Mr O'Dwyer
Mr Hazel
Mr Hirst
Ms Hey (from 5 July 2011)
Retired
Mr Matthews (from 5 July 2011)</td><td>Oversight of risk, including the establishment, implementation, review and monitoring of risk management systems and policies for the following.

• Balance sheet and off-balance sheet risk, including trading and liquidity.

• Operational risk, including regulatory compliance, financial crimes, anti-money laundering and counter terrorism financing and business continuity.</td></tr>
<tr><td colspan="3">Key activities during reporting period included the following.

• Confirmation of the key risk exposures for the group including an assessment of control effectiveness, treatment plans and risk indicators
• Assessment and confirmation of changes to the group's risk assessment process
• Assessment and approved changes to group risk management polices and procedures under board delegation
• Assessment and recommendation to board of changes to risk management principles and systems description document and internal capital adequacy assessment process document
• Review of findings from prudential risk reviews and confirmation and oversight of implementation of management actions to address review findings
• Consideration of reports from chief risk officer on findings from half-year and full-year financial reporting and risk management declaration process
• Confirmation and oversight of actions arising from branch fraud
• Assessment and approval of annual funding plan for the Company</td></tr>
</table>

<table>
<tr><th>Committee</th><th>Requirements about composition</th><th>Members</th><th>Role – to assist the board in relation to the following</th></tr>
<tr><td rowspan="2">Credit</td><td>At least 3 members
A majority of independent directors
An independent chair</td><td>Ms Radford (Chair)
Ms Dawson
Mr Hazel
Mr Matthews
Mr Hirst</td><td>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.</td></tr>
<tr><td colspan="3">Key activities during reporting period included the following.
Review of findings from prudential risk reviews and confirmation and oversight of implementation of management actions to address review findings
Assessment and approval of changes to group credit risk management polices and procedures under board delegation
Consideration of reports on reviews of the Company's loan portfolios based on industry sector
Oversight of the licence application process and supporting framework to comply with the national consumer credit legislation
Monitoring the quality and performance of the Company's loan portfolios taking into account changes in the market environment and competition</td></tr>
<tr><td rowspan="2">Change Framework & Technology Governance</td><td>At least 3 members
A majority of independent directors
An independent chair</td><td>Mr O'Dwyer (Chair)
Mr Abrahamson
Mr Johanson
Ms Radford
Ms Hey (from 1 July 2011)</td><td>Oversight and monitoring of the group's change and technology services functions. This includes the alignment and engagement of these functions with the business, systems stability, technology infrastructure investment, information security and major project management.</td></tr>
<tr><td colspan="3">Key activities during reporting period included the following.
Review of findings from prudential risk reviews and confirmation and oversight of implementation of management actions to address review findings
Monitoring the status of the change portfolio and performance and progress of major projects
Consideration and confirmation of actions arising from a review of the group's technology risk framework, including information security risk
Assessment and recommendation to board of actions arising from a review of the group's technology strategy and architecture
Monitoring the performance of the group's technology services business
Consideration of findings from review of information security environment
Monitoring of security incidents, threats and trends</td></tr>
</table>

3.5.1 Overview of meetings and attendances

Director	Committees									
	Audit		Credit		Risk		Governance & HR		Change Framework & Technology Governance	
Meetings during reporting period	6		13		6		5		4	
A = Number eligible to attend B = Number attended	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Robert Johanson							5	4	4	4
Kevin Abrahamson	6	6							4	4
Jenny Dawson	6	6	13	11						
Mike Hirst			13	8	6	6				
Jim Hazel			13	12	6	4	5	3		
David Matthews			13	13	6	5				
Terry O'Dwyer	6	6			6	5			4	4
Deb Radford	6	6	13	13			5	5	4	3
Tony Robinson					6	6	5	5		

3.6 Board performance

ASX Corporate Governance Council: Recommendation 2.6
Website: Board charter, board policy

During the reporting period, the governance & HR committee considered developments in board performance reviews. The committee recommended changes to the performance review process to the board which were accepted. The following process now applies.

- **Board as a whole** – annual review: As before, the internal review is conducted by the chair of the board. The questionnaires have been revised and updated. Input from executives who regularly attend board meetings is sought. In addition, it is proposed to engage an external consultant on a periodic basis. The first engagement will be in the 2011-2012 financial year.
- **Individual directors** – annual review: This is conducted by the chair of the board.
- **Chair of board** – annual review: This is conducted by the board as a whole, lead by the chair of the governance & HR committee.
- **Committees** – bi-annual review: The review of committees was previously annual, but the board has decided it would be more beneficial to review committee performance every second year, to enable a greater focus on the board as a whole and individual director assessment in other years. As before, the review is lead by the chair of each committee and discussed in a board meeting.

Reviews of the board as a whole, individual directors and the chair of the board took place in the reporting period.

The review of the board and committees involves consideration of performance against the charters and goals and objectives set at the start of the financial year. The board review also considers the structure and role of the board (including in strategy and planning), culture and relationships, meeting processes and organisational performance monitoring.

3.7 Board remuneration

ASX Corporate Governance Council: Recommendation 8.3
Website: Board charter

The remuneration policy and information about remuneration paid is set out in the remuneration report in the directors' report. There are no schemes for retirement benefits, other than superannuation, for non-executive directors.

4. Corporate conduct

4.1 Code of conduct and reporting of concerns

ASX Corporate Governance Council: Recommendation 3.1

Website: Code of conduct, Reporting of concerns

The Company'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 executive committee and adopted by the board.

The code of conduct is a statement of the group's corporate ethics and philosophy and underpins business decisions, actions and behaviour. It aims to make sure that high standards of corporate and individual behaviour are observed in conducting the business, and provides support for those behaviours.

The code 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, use of information and position and confidentiality. More detailed policies then deal specifically with various aspects of the code, for example the conflicts of interest.

In addition, the 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 sets out the protection provided for employees who raise concerns in good faith.

4.2 Fit and proper

In addition, all senior managers must meet fit and proper standards under the Company's fit and proper policy, which addresses the requirements of APRA's Prudential Standard APS520 *"Fit and Proper".* Senior managers are assessed before appointment and then annually. All senior managers have been assessed as fit and proper.

4.3 Diversity

ASX Corporate Governance Council: Recommendations 3.2, 3.3, 3.4

Website: Diversity policy

Policy

The board adopted a diversity policy during the reporting period. The policy was developed through a stakeholder committee chaired by the chair of the governance & HR committee.

The code of conduct and the Company's corporate values provide the foundation for the Company's approach to diversity. Diversity and inclusiveness are important for staff, customers and communities and the Company. As stated in the policy:

> *"Staff:* We advocate an inclusive and welcoming workplace. As an employer, we aim to offer an environment where people are treated with respect, feel valued, and can achieve success, both for the individual and the organisation. We also recognise the importance of an appropriate work-life balance.
>
> *Customers and communities:* Our vision is to be Australia's leading customer-connected banking group. We engage with customers and communities, by taking time to connect, listen and understand and build sustainable relationships. It makes sense to have a diverse team to be able to better understand and meet the needs of our diverse customer base and the communities in which we operate.
>
> *The Bank:* Our ability to deliver our "unique style of banking" is dependent on having the best people. We will only find these people by drawing from the broadest pool of candidates available. Attracting and retaining a diverse team of talented people positions our organisation for success – it creates both immediate business value and a sustainable organisation. It also contributes to our good reputation.
>
> So diversity makes good business sense and helps create value for shareholders."

The governance & HR committee has responsibility for keeping the policy under review. This includes the effectiveness of the policy. The board is responsible for assessing performance against measurable objectives on an annual basis.

Council

A people development and diversity council has been established, chaired by the executive, corporate services. The council comprises representatives from across the Company. Its role is to promote diversity and inclusiveness in the workplace, and also to provide input from across the organisation to assist people & performance formulate policy, strategy and objectives.

Profile

Information about the current diversity profile of the Company was collated using a desktop audit in relation to gender, age, tenure, employment status (full-time, part-time, casual) and return from maternity leave. In addition, information available was considered in relation to employees with a disability and indigenous employees, but the database does not currently include sufficient information for an audit on those or other aspects of diversity.

This information was used to assist in formulating objectives (see below). The information about gender is as at 30 March 2011 and is set out in the following table.

	All employees (1)	Award employees (1)	Salaried employees (*not* senior management or executive) (1)	Senior management and executive positions		Board (1)
				Senior management (1)	Executive committee (1)	
Total number of employees or directors	4,824	2,605	2,116	94	9	9(2)
Number of women	3,098	2,121	947	28	2	2(2)
Women as percentage of total	64%	81%	45%	30%	22%	22%(2)

(1) Rural Bank is a wholly owned subsidiary of the bank and so part of the group. However, Rural Bank is an authorised deposit-taking institution, its board includes independent directors and it has its own management team and employees. Recruitment is not managed through the Company. The following information is provided separately for Rural Bank:

(a) Total employees – there are 145 employees, and 56 are female, so the percentage is 39%.
(b) Award employees – there are five award employees, and three are female, so the percentage is 60%.
(c) Salaried employees – there are 122 salaried employees (not senior management or executive), and 53 are female, so the percentage is 43%.
(d) Senior management – there are 11 senior managers and none are female.
(e) Executive committee – there are 8 executives and none are female.
(f) Board – there are 7 directors and none are female. The appointment of the directors is the responsibility of the Company. The Company is currently reviewing the composition of subsidiary boards – see the objectives below.

(2) An additional director was appointed on 5 July, bringing the total number of directors to ten, and the number of female directors to three; and with one director retiring at the next AGM, the percentage of female directors will be 33%.

Objectives

The board has set the following diversity objectives:

1. *Develop and introduce an inclusiveness and diversity strategy at an organisational level across the following four areas - gender, age, cultural background (with an initial focus on indigenous background) and disability – by 30 June 2012.*
   The diversity policy discussed above envisages the development of a strategy to support it. The board is seeking a broad but achievable strategy, focusing initially on four areas to the form the architecture of the strategy as follows.
   - Gender – improvement in gender mix at all levels across the organisation.
   - Age – tailor job designed to meet changing needs of our people.
   - Disability – creating the right environment.
   - Cultural background (indigenous focus) – creating the right environment and providing appropriate support.

   The strategy being developed encompasses the following.
   - The identification of opportunities to improve the representation of the targeted focal groups through a range of measures and initiatives.
   - The review and enhancement of workplace diversity awareness and compliance programs to further support the banks commitment to creating a harmonious and supportive work environment and an organisational culture that values and promotes respect, dignity, fairness, equity, diversity and inclusiveness.
   - People development programs and initiatives that foster diversity and inclusiveness by ensuring all employees are provided with fair and accessible programs and development opportunities that enable them to maximise their potential and contribution to achieve their career aspirations.
   - To re-energise flexible work arrangements and options, family friendly initiatives and parental leave return to work practices that contribute to a diverse and inclusive workplace.
2. *Introduce a program for management development for both genders through experience as directors on subsidiary and joint venture boards; conduct an analysis of current gender composition of these boards and set target for female representation – by 30 June 2012.*
   This objective is to assist in the development of the senior management and executive pipeline, which is an important step in achieving gender equality.
3. *Increase the representation of females in senior management (including senior managers and executives) from 29% to at least one third – by 30 June 2015.*
   This involves at least a 4% increase in females in senior management.

4. *Maintain female representation of at least one third of the board – ongoing.*
   As explained in the note to the table above, an additional female director was appointed after the end of the reporting period, bringing the total number of directors to ten, and the number of female directors to three; and with one director retiring at the next AGM, the percentage of female directors will be 33%.
   The board's aim is to retain at least this proportion of female directors into the future. In doing so, it notes that research shows that boards operate most effectively when at least three directors on a board of eight to ten are the least represented gender.

4.4 Continuous disclosure and communications

ASX Corporate Governance Council: Recommendations 5.1, 6.1, 6.2

Website: Continuous disclosure policy, communications policy

4.4.1 Continuous disclosure

The continuous disclosure policy assists the Company 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, chair and executive officers are responsible for identifying matters or transactions arising between board meetings which require disclosure under 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 make sure that information is not released to external parties until confirmation of lodgement is received from ASX.

4.4.2 Communications

The communications policy provides clear authorities and protocols for all communications with parties external to the Company, including investors, ASX, regulatory authorities, media and brokers. It has also been designed to complement the continuous disclosure policy, to make sure that information flows are controlled, and to reduce the likelihood of inadvertent disclosures outside the continuous disclosure reporting regime.

The Company communicates with its shareholders by the following means.

- ASX announcements
- Quarterly shareholder newsletters
- Annual reporting (as well as the full financial statements, this includes annual reviews)
- Annual general meetings
- Online board bulletin board and shareholder question and answer facility for questions of the board and Company. The bulletin board and ability to ask questions of the board is a new service introduced in the reporting period.
- Shareholder question sheet included with annual general meeting notice
- "e-shareholder" service – an email facility to provide shareholders information (such as annual reports, notices of meeting etc)

This material is available from the Company's website, and in addition, the website contains the following.

- Media releases
- Notices of meeting
- 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 release to the market.

There is also a link from the Company's website to the ASX website for access to ASX announcements.

4.5 Share trading

ASX Corporate Governance Council: n/a (ASX Listing rules 12.9-12.12)

Website: Share trading policy

The 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 requires these employees and officers to tell the Company before and after trading and this information is 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 Company 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 37 to the full financial statements.

The policy also prohibits a participant in an executive incentive plan from entering into a transaction designed to remove the "at risk" element of an entitlement under the plan before it vests. For existing grants, the participant is able to remove the "at risk" element of an entitlement after it vests. However, for participants who are key management personnel, from 1 July 2011, there is a prohibition under the Corporations Act on doing so if the securities are subject to a holding lock. For future grants, the board will apply this prohibition to all senior employees who participate, not just key management personnel.

5. Risk management

5.1 Overview

ASX Corporate Governance Council: Recommendation 7

Website: Bendigo and Adelaide Bank Risk Principles & Systems Descriptions

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 Company's material risks. The board has established an integrated framework of committees, policies and controls to identify, assess, monitor and manage risk. Executive management is responsible for implementing the policies and controls.

The first line of defence is the business itself which has accountability for controls. It is the operational and business management team where the primary responsibility exists for identifying and managing risk and implementing controls and monitoring their effectiveness through quality processes.

The second line of defence is primarily group risk that provides specialist assistance to the business to monitor and manage risks.

The third line of defence is group assurance. Through completion of reviews outlined in the group assurance strategic plan, assessments are made to determine whether the group's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning effectively.

The Company has established a system of regular reporting from independent risk (credit, operational and market) and audit functions to the executive committee and board committees on the implementation and effectiveness of the risk management systems, policies and internal controls designed to manage key business risks.

5.2 Key business risks

ASX Corporate Governance Council: Recommendation 7

Website: Bendigo and Adelaide Bank Risk Principles & Systems Descriptions

The following provides an overview of the key risks. Further information about risks and the associated risk management framework is presented at Note 41 of the full financial statements.

5.2.1 Credit risk

Description: Credit risk is risk of financial loss due to the unwillingness or inability of a counterparty to fully meet their contractual debts and obligations.

Responsibilities: The board credit committee is responsible for setting policies in relation to credit practices and procedures within the group and monitoring compliance with the policies. A management credit committee supports the board credit committee and the group's credit risk and credit policy & analysis units manage credit support, analysis and reporting. This is complemented by credit risk reviews performed by the group assurance function.

5.2.2 Market Risk

Description: Market risk is the risk of losses arising from adverse movements in market prices which in turn affect the value of balance sheet positions. Market risk includes interest rate risk and currency risk which are discussed below.

An independent middle office function oversees and supports the risk management framework for treasury and financial markets. Middle office provides treasury and financial markets with policy direction, risk management advice (market, operational and credit risks) and compliance oversight to the reporting of key risks and activities. The risks and activities include liquidity, traded and non-traded market risk (interest rate and foreign exchange).

5.2.2.1 Interest rate risk

Description: Interest rate risk is the potential for volatility in earnings due to adverse movements in interest rates.

Responsibilities: Interest rate risk is primarily monitored through the board risk committee, supported by a management committee, the asset liability management committee (ALMAC). Interest rate risk is managed through group treasury.

5.2.2.2 Currency risk

Description: Currency risk is the risk of loss of earnings due to adverse movements in exchange rates.

Responsibilities: Currency risk is primarily monitored by the board risk committee, supported by a management committee, the ALMAC. It is managed through group treasury, in the financial markets department.

5.2.3 Liquidity risk

Description: Liquidity risk is 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.

Responsibilities: Liquidity risk is primarily monitored by the board risk committee, supported by a management committee, the ALMAC. It is managed through group treasury, in the liquidity and balance sheet management units. The independent middle office function oversees and supports the risk management framework for liquidity risk as discussed above.

5.2.4 Operational risk

Description: Operational risk is 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.

Responsibilities: Operational risk (other than financial reporting risk) is primarily monitored by the board risk committee, supported by a management committee, the operational risk committee.

It is managed through the group operational risk business unit, which manages regulatory compliance, fraud prevention and detection, anti-money laundering and business continuity.

Operational risk is governed by the group operational risk framework. The framework is in line with Basel II (operational risk management) and Australian Standard – AS/NZS 4360:2004 (risk management).

The board audit committee has primary responsibility for the oversight of financial reporting risk. In addition to the internal group assurance function (discussed below), the external auditor 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 full financial statements.

5.2.5 Strategic risk

Description: The risk that adverse business decisions, ineffective or inappropriate business plans or failure to respond to changes in the environment will impact the Company's ability to meet its objectives.

Responsibilities: Strategic risk is primarily monitored by the executive management committee. The board has ultimate responsibility for strategic risk.

5.3 Group assurance

ASX Corporate Governance Council: Recommendation 7

Website: Bendigo and Adelaide Bank Risk Principles & Systems Descriptions

Group assurance is an internal audit and credit risk review function, independent of the business and of the external auditor. It assesses the adequacy and effectiveness of the Company's processes for controlling its activities and managing its risks.

The head of group assurance has a direct reporting line to the board audit committee and an administrative reporting line to the executive, corporate resources, as well as direct access to the managing director, the chair of the board audit committee and the chair 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 board audit committee, with those relating to credit risk also provided to the board credit committee. Reports on specific reviews are also provided to other board committees as appropriate.

The strategic plan for the group assurance function is approved and monitored by the board audit committee which also assesses and confirms the independence and effectiveness of the function.

6. Financial reporting

6.1 Introduction

The Company complies with financial reporting requirements under the Corporations Act 2001 (as a disclosing entity), the Corporations Regulations 2001, the Australian Accounting Standards (including Australian Accounting Interpretations), International Financial Reporting Standards, ASX Listing Rules and Prudential Standards issued by the Australian Prudential Regulation Authority.

The directors of the Company are responsible for the preparation and fair presentation of the financial statements. The board's responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The audit committee assists the board by providing oversight of the group's financial reporting responsibilities including external audit independence and performance. The audit committee responsibilities include the following:

- Assessing whether the financial statements are consistent with committee members' information and knowledge and, in their opinion, adequate for shareholder needs.
- Overseeing compliance with the statutory financial reporting obligations of the group.
- Considering and applying any significant changes in accounting policies, principles and practices.

The preparation of the group's financial statements involves consideration of a number of judgments and estimates as detailed in Note 2.6 of the financial report. The directors, with the assistance of management, consider these areas as part of the financial reporting processes.

6.2 Managing director and chief financial officer sign-offs

ASX Corporate Governance Council: Recommendations 7.2, 7.3, 7.4

Website: Bendigo and Adelaide Bank Risk Principles & Systems Descriptions

The managing director and chief financial officer provide an annual sign-off to the board on the following matters for the Company 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 above 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 the sign-offs the Company has implemented due diligence, verification and risk management certification processes throughout the business to provide assurance to the managing director, chief financial officer and the board, in relation to both the financial statements and the group's system of risk management and internal control.

This process is conducted on a six-monthly basis in conjunction with the Company's half year and year end financial reporting obligations. The process is reviewed and updated each half year to take into account changes to financial reporting requirements, the group's risk management framework and relevant organisational and business developments.

Some of the more significant steps in the process include the following.

- *Program:* A documented program that includes a detailed timetable and clear details of all procedures to be completed and associated executive and management responsibilities.
- *Due diligence questionnaire:* A financial reporting due diligence questionnaire that contains a broad range of targeted questions relating to financial performance, balance sheet management including asset quality, funding and liquidity and capital, the business environment and strategy, legal and taxation matters, material contracts, insurance, off balance sheet activities and contingencies, regulation and compliance, and subsequent events.
- *Verification:* A documented verification process that requires each disclosure in the financial statements to be verified by the relevant business and support units to the appropriate policies, accounts and records of the group. The financial reporting process also includes steps to make sure that the financial statement disclosures comply with the reporting obligations referred to above.
- *Left-Hand Notes:* A report prepared by the finance and accounting department that provides additional supporting information to the board on the financial information and other disclosures presented in the Company's regulatory and statutory financial reports.
- *Executive and company secretary risk management certificates:* Each executive and the company secretary provide a formal certification in respect to the risk management and internal control systems within their responsibility. The declarations provided by each executive member and the secretary are made with reference to group policies and procedures, business unit risk registers and loss event registers.

  The declarations are supported by appropriate investigations, inquiries and declarations by direct line management in respect to their business responsibilities. Specific declarations are also provided by group operational risk, group credit risk, group assurance and finance and treasury relevant to their responsibilities. The declaration process takes into account the business activities of operating subsidiaries and joint ventures.
- A report on the outcomes of the financial reporting and risk management declaration process is provided to the chief executive officer and chief financial officer to support the signing of their required declarations. A copy of this report is also included in the subsequent risk committee and audit committee meeting agendas for discussion.

Further information on the Company's risk management framework, including risk management responsibilities, reporting and control arrangements, is presented in the full financial statements (see Note 41).

6.3 External auditor

ASX Corporate Governance Council: Recommendation 4.4

Website: Audit committee charter, External audit - independence policy, External auditor – selection and appointment

Independence policy

The board audit committee is responsible for maintaining a policy about auditor independence, rotation and the provision of non-audit services, and monitoring compliance with that policy. The policy on audit independence sets out the factors that may compromise auditor independence.

It requires advance approval by the audit committee for engaging the auditor for any non-audit services, to enable the audit committee to consider whether there may be an impact on auditor independence.

The policy requires the audit committee to receive the annual and half-year independence declarations from the auditor. The external auditor also meets separately with the audit committee without the presence of management.

Non-audit services

The audit committee gives an annual and half-year statement to the board as to whether the audit committee is satisfied that the independence of the external audit function has been maintained having regard to the provision of non-audit services, and why it is so satisfied.

As part of this process the audit committee receives a report, confirmed by group assurance, setting out the nature and scope of all non-audit services provided during the period, including fees and 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.

Rotation of audit personnel

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.

Annual general meeting

Members may give written questions to the Company 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 chair of the meeting provides 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 Company in relation to the preparation of the financial statements and the independence of the auditor in relation to the conduct of the audit.

The chair also allows a reasonable opportunity for the representative of the auditor to answer written questions submitted before the meeting.

FIVE YEAR HISTORY

The Bendigo and Adelaide Bank group

Financial Performance for the year ended 30 June

	2011	**2010 (1)**	**2009 (2)**	**2008 (3)**	**2007**
	$m	**$m**	**$m**	**$m**	**$m**
Interest income	3,381.2	2,712.2	3,154.7	2,695.6	1,058.6
Interest expense	2,446.0	1,857.6	2,519.7	2,098.1	701.5
Net interest income	935.2	854.6	635.0	597.5	357.1
Other income	300.8	280.4	238.7	272.4	205.1
Bad & doubtful debts expense (net of bad debts recovered)	44.2	44.7	80.3	23.1	8.2
Other expenses	767.3	739.6	674.1	560.5	376.1
Profit before income tax expense	424.5	350.7	119.3	286.3	177.9
Income tax expense	(77.9)	(90.8)	(35.5)	(87.3)	(56.2)
Net (profit)/loss attributable to non controlling interest	(4.5)	(17.3)	-	(0.7)	0.1
Profit after income tax expense	342.1	242.6	83.8	198.3	121.8
Adjustments	(5.9)	48.4	97.7	41.3	(3.3)
Cash basis earnings	336.2	291.0	181.5	239.6	118.5
Financial Position at 30 June					
Total assets	54,932.6	52,141.1	47,114.2	48,049.0	17,001.6
Net loans and other receivables	46,337.9	43,521.8	38,740.9	40,105.0	13,773.3
Cash and cash equivalents	670.6	1,040.2	1,148.0	1,608.6	329.1
Financial assets and derivatives	5,296.8	4,848.6	4,360.3	3,647.8	2,249.0
Other assets	2,627.3	2,730.5	2,780.6	2,113.9	650.2
Equity	3,960.1	3,880.4	3,118.7	3,297.9	1,015.0
Deposits and Notes payable	48,903.1	46,136.0	41,854.3	42,697.1	15,146.6
Reset preference share	89.5	89.5	89.5	89.5	-
Subordinated debt	575.7	532.9	598.7	675.8	307.2
Other liabilities	1,404.2	1,502.3	1,453.0	1,288.7	532.8
Share Information					
Net tangible assets per ordinary share	$5.76	$5.27	$4.31	$5.60	$5.40
Earnings per ordinary share - cents	91.5	67.4	25.4	87.7	81.9
Cash basis earnings per ordinary share - cents	92.3	83.3	62.6	111.1	82.9
Dividends per ordinary share:					
Interim - cents	30.0	28.0	28.0	28.0	24.0
Final - cents	30.0	30.0	15.0	37.0	34.0
Total - cents	60.0	58.0	43.0	65.0	58.0
Ratios					
Profit after tax before non recurring items return on average assets	0.61%	0.56%	0.36%	0.72%	0.80%
Return on average assets	0.64%	0.49%	0.18%	0.61%	0.76%
Cash basis return on average ordinary equity	9.05%	8.18%	5.79%	12.29%	15.38%
Return on average ordinary equity	8.98%	6.61%	2.35%	9.70%	15.18%

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 from January 2009.*
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

		2011	2010 (1)	2009 (2)	2008 (3)	2007
Key Trading Indicators						
Retail deposits - Bendigo Adelaide (4)	($m)	29,867.9	27,542.6	26,505.0	20,537.7	11,641.3
Number of depositors' accounts - Bendigo Adelaide (4)		1,860,441	1,812,286	1,754,849	1,638,443	1,418,088
Total loans approved	($m)	13,885.5	11,916.6	9,137.4	8,845.2	7,018.0
Number of loans approved		83,942	80,881	69,678	81,853	73,236
Liquid assets and cash equivalents	($m)	5,967.4	5,888.8	5,508.3	5,256.4	2,578.1
Total liabilities	($m)	50,972.5	48,260.7	43,995.5	44,751.1	15,986.6
Liquid assets & cash equiv as proportion of total liabilities	(%)	11.71	12.20	12.52	11.75	16.13
Number of branches (5)		466	448	426	404	357
Average deposit holdings per branch	($m)	64.1	61.5	62.2	50.8	32.6
Number of staff (excluding Community Banks)	(FTE)	4,019	3,847	3,598	3,478	2,428
Assets per staff member	($m)	13.668	13.554	13.095	13.815	7.002
Staff per million dollars of assets (6)		0.07	0.07	0.08	0.07	0.14
Dissection of Loans by Security (7) ($'000)						
Residential loans		31,522.3	28,875.5	28,569.4	29,840.4	10,193.3
Commercial loans		10,712.3	10,182.1	5,987.6	5,712.3	2,905.0
Margin lending		3,202.2	3,627.0	3,475.9	3,773.8	90.5
Unsecured loans		834.6	823.7	707.1	737.9	472.4
Other		220.5	191.0	183.1	193.9	182.9
Gross loans		46,491.9	43,699.3	38,923.1	40,258.3	13,844.1
Dissection of Loans by Security (7) (%)						
Residential loans		67.80	66.08	73.40	74.12	73.63
Commercial loans		23.04	23.30	15.38	14.19	20.98
Margin lending		6.89	8.30	8.93	9.37	0.65
Unsecured loans		1.80	1.88	1.82	1.83	3.41
Other		0.47	0.44	0.47	0.49	1.33
Total		100.00	100.00	100.00	100.00	100.00
Asset Quality						
Impaired loans	($m)	358.7	282.2	223.6	59.4	18.2
Specific provisions	($m)	(90.6)	(78.3)	(66.9)	(21.6)	(8.4)
Net impaired loans	($m)	268.1	203.9	156.7	37.8	9.8
Net impaired loans % of gross loans	(%)	0.58	0.47	0.42	0.09	0.07
Specific provision for impairment	($m)	91.4	79.1	67.7	22.1	8.4
Specific provision % of gross loans less unearned income	(%)	0.20	0.18	0.18	0.06	0.06
Collective provision	($m)	41.9	47.1	44.3	36.8	11.4
General reserve for credit losses (general provision)	($m)	110.9	104.7	86.1	76.2	45.3
Collective provision (net of tax effect) & GRCL (general provn) as a % of risk-weighted assets	(%)	0.54	0.54	0.54	0.51	0.55
Loan write-offs as % of average total assets	(%)	0.01	0.01	0.04	0.03	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.
2 Figures for 2009 include the fully consolidated trading of Macquarie margin lending portfolio from January 2009.
3 Figures for 2008 include the merger with Adelaide Bank effective 30 November 2007.
4 Excludes Rural Bank and treasury retail deposits
5 Includes Community Bank branches.
6 These ratios do not take into account off-balance sheet assets under management, which totalled $19 billion at 30 June 2011 (2010: $19 billion).
7 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 147th Financial Report of Bendigo and Adelaide Bank Limited and its controlled entities for the year ended 30 June 2011.

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)
Kevin Abrahamson
Jenny Dawson
Jim Hazel
Jacqueline Hey (appointed 5 July 2011)
David Matthews
Terry O'Dwyer
Deb Radford
Tony Robinson

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 Employee Share Grant Scheme	327,233
Ordinary shares issued under the Dividend Reinvestment Plan	4,843,034
Ordinary shares issued in lieu of dividends under the Bonus Share Scheme	567,573
Total ordinary shares issued	**5,737,840**

Share Options and Rights

Unissued Shares:

As at the date of this report, there were 905,561 unissued ordinary shares under options, 87,451 rights to unissued ordinary shares and 877,560 performance shares. Refer to notes 37 and 39 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 no performance rights vested (2010: 46,076) and 409,753 (2010: 255,918) 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 2010 of 30.0¢ per share, paid September 2010	$105.7 million
Interim dividend 2011 of 30.0¢ per share, paid March 2011	$107.0 million
Dividend recommended:	
Final dividend 2011 of 30.0¢ per share, declared by the directors on 8 August 2011, payable 30 September 2011	$107.7 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 2010	2,713,513
March 2011	2,129,521
In addition, shareholders electing to receive bonus shares in lieu of dividends received the following ordinary shares, paid in full:	
September 2010	301,032
March 2011	266,541

Preference Share Dividends Paid or Recommended

Dividends paid:	
113.07 cents per share paid on 15 September 2010 (2009: 84.60 cents)	$1.0 million
110.91 cents per share paid on 15 December 2010 (2009: 86.47 cents)	$1.0 million
114.00 cents per share paid on 15 March 2011 (2010: 99.25 cents)	$1.1 million
112.39 cents per share paid on 15 June 2011 (2010: 104.63 cents)	$1.0 million
Dividend announced:	
A dividend of 115.07 cents per security for the period 15 June 2011 to 14 September 2011 (inclusive), announced on 16 June 2011, payable 15 September 2011	$1.0 million
All dividends were fully franked	

Step-up Preference Share Dividends Paid or Recommended

Dividend paid:	
110.00 cents per share paid on 12 July 2010 (2009: 86.00)	$1.0 million
116.00 cents per share paid on 11 October 2010 (2009: 86.00)	$1.2 million
116.00 cents per share paid on 10 January 2011 (2010: 98.00)	$1.2 million
116.00 cents per share paid on 11 April 2010 (2010: 102.00)	$1.2 million
Dividend announced:	
A dividend of 116.00¢ per security for the period 10 April 2011 to 9 July 2011 (inclusive), announced on 11 April 2011, payable 11 July 2011	$1.2 million
All dividends were fully franked	

Reset Preference Share Dividends Paid or Recommended

310.53 cents per share paid on 1 November 2010 (2009: 310.53)	$2.8 million
305.47 cents per share paid on 2 May 2011 (2010: 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 group during the year.

Consolidated Result

The consolidated profit after providing for income tax of the group amounted to $342.1 million (2010 - $242.6 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 group is set out in the report by the 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 changes in the state of affairs of the group occurred during the financial year:

In September 2010, 2,713,513 shares were allotted at an issue price of $9.19 to those shareholders participating in the Dividend Reinvestment Plan, increasing share capital by $24.9 million.

In February 2011, 327,233 shares were allotted at an issue price of $9.78 to employees of Bendigo and Adelaide Bank Limited under the Share Grant Scheme, increasing ordinary share capital by $3.2 million.

In March 2011, 2,129,521 shares were allotted at an issue price of $8.95 to those shareholders participating in the Dividend Reinvestment Plan, increasing share capital by $19.1 million.

There were no share issue costs incurred during the year.

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

Significant After Balance Date Events

On the 28 July 2011, the Bank entered into an agreement to lease premises to be constructed at 80 Grenfell Street, Adelaide, which is expected to be completed in November 2013. The Bank has agreed to an initial rental commitment estimated at $9.9 million exclusive of GST in the first year and a minimum lease term of 12 years.

On 8 August 2011 the Bank declared a final dividend for ordinary shares, on 15 June 2011 announced a dividend for preference shares and on 11 April 2011 announced a dividend for Step up preference shares, details of which are shown previously.

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 group, the results of those operations, or the state of affairs of the group 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 the chairman and managing director accompanying this Full Financial Report.

SUMMARY OF REMUNERATION OUTCOMES 2011

This summary gives shareholders a concise and easy to understand overview of the group's remuneration outcomes for the 2011 financial year and includes information on the actual value of remuneration received by senior executives. The detailed statutory remuneration disclosures are contained in the Remuneration Report.

	2010 - 2011 Outcomes
Remuneration oversight & approval	The board, on recommendation of the governance & HR committee, approved the 2011 remuneration arrangements for senior executives and the short term incentive arrangement for the managing director in August 2010. The managing director's fixed and long term incentive arrangements were set in 2009. In August 2011 the board, on recommendation of the governance & HR committee, approved the group bonus pool established for the payment of short term incentives and bonus payments to staff including the managing director and senior executives. The amount set aside for the bonus pool took into account key financial and risk measures as explained in the Remuneration Report.
Remuneration policy	There were no changes to the Company's remuneration policy or framework during the year.
Non executive director fees	The base non-executive director fee was increased by 3.5% from $125,000 per annum to $129,375 per annum. There were no additional fee payments for board committee memberships. In addition, the non-executive directors again contributed $5,000 of their annual fee payment to fund a board scholarship for disadvantaged students.
Senior executive salaries	The pay freeze has been lifted for the 2011 financial year in light of improved trading performance and outlook for the Company. The board approved changes to senior executive remuneration arrangements in August 2010 to reflect changes in senior executive roles, responsibilities, market relativities and to re-align the mix of variable pay between short and long term. The overall increase in fixed remuneration for all senior executives and other direct reports to the managing director was 6.1%.
Company performance	The Company's overall performance for the year substantially achieved the targets set by the board. The Company announced a statutory after-tax profit of $342.1 million for the year. The Company's cash earnings result was $336.2 million, a 15.5% increase on the previous financial year. The cash earnings result equated to 92.3 cents per share and represents a 10.8% increase on the previous financial year. The Company's share price improved by 68 cents (8%) and the Company's annual dividend increased by 2 cents (3%) to 60 cents.
Short term incentive	In line with the above 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 the annual cash bonus allocations as set out in the below table. A third of these payments will be deferred into equity in the company for a two year restriction period.
Long term incentive	**Salary Sacrifice, Deferred Share & Performance Share Plan** 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. During the year the board approved a supplementary grant to senior executives to reflect changes in senior executive roles, market relativities and to re-align the mix of short and long term incentive components. Half of each annual parcel of performance shares is subject to earnings per share and total shareholder return tests. The TSR test for the 2011 parcel was partially met and 65% of those performance shares vested. The remaining allocation will be re-tested as part of the 2012 allocation. The other half of each annual parcel of performance shares is subject to the executive's continued employment with the Company. The relevant employment date under the grant was 30 June 2011, and accordingly, the 2011 parcel vested for executives who received the grant and were employed by the Company at that date. **Executive Incentive Plan (discontinued)** The executive incentive plan established in 2006, under which executives were issued performance shares and options with a three year performance period, has been discontinued for future grants. Grants were made in the 2007, 2008 and 2009 financial years. On the basis of the achievement of the performance measures, none of the 2007 grant vested, some of the 2008 performance rights vested but none of the 2008 options vested. None of the 2009 grant has vested.

Actual remuneration received by senior executives

The table below sets out the actual remuneration received by senior executives in FY2011. The values disclosed in the table below are different to the tables set out later in the statutory remuneration report for the reasons explained in footnote 7.

Executive (current title)		**Remuneration received** [7]					**Remuneration forfeited**	
		Base Pay [1] **(Fixed annual remuneration)**	**Short term incentive (Cash/ Shares)** [2]	**Long term incentive (Shares)** [3]	**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)		$1,299,686	$300,000	$1,267,884	$2,867,570		0%	$66,308
Marnie Baker (Executive: Banking and Wealth)		$547,653	$200,000	$341,305	$1,088,958		0%	$45,780
Dennis Bice (Executive: Retail Banking)		$421,208	$70,000	$182,357	$673,565		30%	$0.00
John Billington [6] (Executive Bendigo Wealth)		$330,610	$100,000	$193,042	$623,652		38%	$0.00
Richard Fennell (Chief Financial Officer)		$496,899	$200,000	$331,559	$1,028,458		0%	$0.00
Russell Jenkins (Executive: Customer and Community)		$501,570	$160,000	$341,305	$1,002,875		20%	$50,520
Tim Piper (Executive: Risk)		$413,171	$125,000	$248,169	$786,340		17%	$0.00
Stella Thredgold (Executive: Corporate Resources)		$279,312	$80,000	$131,615	$490,927		20%	$0.00
Andrew Watts (Executive: Change)		$431,884	$100,000	$197,427	$729,311		33%	$34,731

[1] **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.

[2] **Short term incentive:** In accordance with the Company's remuneration policy, one third of the short term incentive is subject to deferral into shares in the Company for a period of two years.

[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 2011. The vesting date of the shares is anticipated to be in September 2011.

[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 2011. 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.

[6] **Key management personnel (KMP) for part of year:** Mr John Billington commenced as a KMP on 31 August 2010.

[7] **Differences to Remuneration Report:** The difference to the amount disclosed in the Remuneration Report varies for the following reasons.

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 and long service leave accruals.

The disclosure in the table under the column "Shares" represents the actual value of shares received by senior executives in FY2011 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 above senior executives.

REMUNERATION REPORT

1. Introduction

This remuneration report is for the Company and the consolidated entity (group) for the year ended 30 June 2011. It forms part of the Directors' Report. It has been audited. The remuneration report explains the approach the Company takes to remuneration for non-executive directors and for senior executives, and details the remuneration provided.

In this report the term "senior executive" is used to refer to all executives who fall within the definition of key management personnel of the group – i.e those persons with authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly. This includes the managing director. The report is structured as follows.

2. Non-executive directors

2.1 The non-executive directors

The non-executive directors of the Company are as follows.

Robert Johanson (Chairman)
Kevin Abrahamson
Jenny Dawson
Jacqueline Hey (appointed 5 July 2011)
Jim Hazel
David Matthews
Terry O'Dwyer
Deb Radford
Tony Robinson

2.2 Principles

The following principles apply to non-executive director remuneration.

Principle	Comment
1. Remuneration is structured to preserve independence and encourage a 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. Non-executive directors do not receive bonuses or incentive payments, nor participate in the Company's employee equity participation plans.
2. Shareholders approve an aggregate fee pool	The shareholders approve an aggregate fee pool. This includes payments by the Company and its subsidiaries. Shareholders approved the current aggregate fee pool for non-executive directors of $1,700,000 at a 2008 Extraordinary General Meeting. An increase in the aggregate fee pool of 47% to $2,500,000 is proposed for the 2011 Annual General Meeting, following a review of market and survey data. The increase is explained in the notice of meeting.
3. Fees are reviewed and set by reference to key considerations	The governance & HR committee recommends to the board the remuneration policy and remuneration for non-executive directors. The following considerations are taken into account in setting fees. • The scope of responsibilities of non-executive directors and time commitments. This includes taking into account any changes in the operations of the Company and industry developments which impact director responsibilities and risk, at both the board and committee level. • Fees paid by peer companies and companies of similar market capitalisation, including survey data and peer analysis to understand the level of director fees paid in the market by companies of a relatively comparable size and complexity, particularly in the banking and finance sector.
4. Base fee	Non-executive directors receive a fixed annual fee, which is reviewed annually. The chair receives a higher base fee in recognition of the additional time commitment and responsibilities. No additional fees are paid for serving on board committees. The base fee per annum for the reporting period was as set out below. • $129,375 for directors. • $258,750 for the Chair (two times the base salary). From 1 July 2011 the annual base fee has increased by 11% to $143,000. If shareholders at the annual general meeting approve the increase in the fee pool described above, it is proposed that the base fee per annum will increase from 1 November 2011 to the amounts set out below. • $165,000 for directors from 1 November 2011 • $412,500 for the Chair (two and half times the base salary) from 1 November 2011. The directors support a Company scholarship fund. This support is generally provided by way of the director forfeiting the right to the amount of the contribution ($5,000) so that the director receives a lower base fee and that amount is instead paid into the scholarship fund. The scholarships are awarded to outstanding students who have been offered a full-time place at an Australian university or college campus, who would not otherwise be able to undertake tertiary education due to social or financial circumstances. The scholarship for each student is up to a maximum of $5,000 per annum and intended to provide assistance by way of support for accommodation costs or other direct study costs.

Principle	Comment
5. Subsidiary, joint venture and other boards	The board may decide to pay additional fees to directors who are directors of subsidiary, joint venture or other boards. The board decided to pay additional fees for directors who are members of the Sandhurst Trustee Limited board, the wealth management subsidiary of the Company, and the **Community Bank**® Strategic Advisory board. Rural Bank Limited, a subsidiary of the Company, pays fees to its non-executive directors, which includes directors of the Company. These amounts are included in the shareholder approved cap[1] and are included in the total fees disclosed paid to non-executive directors.
6. Superannuation	Superannuation contributions are made on behalf of the non-executive directors at a rate of 9%, to comply with statutory superannuation obligations. This amount is included in the shareholder approved cap. No other post-employment benefits are paid to non-executive directors.
7. Special services	The board may decide to pay for special services or any journey on the business of the Company. If fees are paid, they are included in the shareholder approved cap. The board did not pay any fees of this nature during the year.
8. Travel, accommodation	Directors are reimbursed for all reasonable travel, accommodation and other expenses incurred in attending meetings or when engaged on Company business. This is not included in the shareholder approved cap.
9. No share-based payments	The Company obtained shareholder approval at the 2008 Annual General Meeting for a non-executive director fee sacrifice plan under which non-executive directors may elect to sacrifice part of their fees to acquire shares in the Company. This plan was been suspended as a result of the Government's changes to the taxation of employee share schemes. No share-based payments have been made to non-executive directors in the reporting period.

1 At the time the fee pool was agreed at the 2008 Extraordinary General Meeting, fees payable to directors of the Company by Rural Bank Limited were not included as Rural Bank did not become a subsidiary until October 2009.

2.3 Remuneration paid - FY2011 and FY2010

The following payments were made to non-executive directors in the 2010 and 2011 financial years.

	Short-term benefits		Post-employment benefits	Total
	Fees [1]	Non-monetary benefits[2]	Superannuation contributions[3]	
Robert Johanson[4] (Chairman)				
2011	346,584	-	31,193	377,777
2010	293,500	-	26,415	319,915
Kevin Abrahamson [5]				
2011	96,410	37,910	12,089	146,409
2010	52,095	85,020	12,340	149,455
Jenny Dawson [6]				
2011	222,589	-	20,033	242,622
2010	200,519	-	18,047	218,566
Jim Hazel [4,7]				
2011	212,264	-	19,104	231,368
2010	126,394	-	11,375	137,769
David Matthews [8]				
2011	165,473	-	14,893	180,366
2010	56,057	-	5,045	61,102
Terry O'Dwyer[5]				
2011	134,320	-	12,089	146,409
2010	137,115	-	12,340	149,455
Deb Radford				
2011	134,320	-	12,089	146,409
2010	125,000	-	11,250	136,250
Tony Robinson				
2011	107,443	26,877	12,089	146,409
2010	62,500	62,500	11,250	136,250

Ms Jacqueline Hey was appointed as a non-executive director on 5 July 2011 and accordingly did not receive any fees for the reporting period.

1 Fee amounts include the $5,000 director contribution to the board scholarship program for FY2010 and FY2011. In addition, the Company processes director fee, employee salary and wage payments on a fortnightly pay cycle. This year there were 27 pay-runs in the financial year and the fee amounts disclosed above include an additional fortnightly pay-run.
2 Represents fee sacrifice component of base director fee amount paid into superannuation.
3 Company superannuation contributions paid under the superannuation guarantee legislation.
4. Fees were paid by Rural Bank Limited to Mr Johanson of $77,945 for FY2011 (FY2010:$58,000) and Mr Hazel of $77,945 for FY2011 (FY2010:$120,449) plus company superannuation contributions. For FY2010 the above amounts include the nine month proportion of fees paid by Rural Bank from 1 October 2009, being the date that control was gained, to the end of the financial year.
5 The fees paid to Mr Abrahamson and Mr O'Dwyer for FY2010 include an additional fee of $12,115 for their role as directors of Sunstate Lenders Mortgage Insurance Pty Ltd for the period 1 July 2009 to 31 October 2009.
6. The fees paid to Ms Dawson for FY2010 include an additional fee of $75,519 as chair of Adelaide Managed Funds Ltd for the period 1 July 2009 to 8 August 2009 and Sandhurst Trustees Ltd for the period 18 September 2009 to 30 June 2010, and for FY2011 include an additional fee of $85,000 as chair of Sandhurst Trustees Ltd. Both Adelaide Managed Funds and Sandhurst Trustees are wholly-owned subsidiaries of the Company.
7. Mr Hazel was appointed on 1 March 2010.
8. Mr Matthews was appointed on 1 March 2010. The fees paid to Mr Matthews include $20,000 for FY2010 and $30,000 for FY2011 for his role as co-chair of the **Community Bank**® Strategic Advisory board.

3. Senior executives (Audited)

3.1 The senior executives

The executive key management personnel, who form the executive committee for the Company, are as follows.

Mike Hirst	Managing Director & Chief Executive Officer
Marnie Baker	Executive: Banking and Wealth
Dennis Bice	Executive: Retail Banking
John Billington	Executive: Bendigo Wealth (appointed 31 August 2010)
Richard Fennell	Executive: Finance & Treasury (Chief Financial Officer)
Russell Jenkins	Executive: Customer and Community
Tim Piper	Executive: Risk
Stella Thredgold	Executive: Corporate Resources
Andrew Watts	Executive: Business Change

3.2 Oversight of senior executive remuneration

The governance & HR committee provides assistance to the board in relation to the Company's remuneration arrangements. The board makes all final decisions in relation to those arrangements.

Issue	Commentary
1. Governance & HR committee	The current members of the committee are all 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 the committee charter is available from the Company's website.
2. 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. The Company's remuneration policy is available from the Company's website.
3. 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 remuneration requirements of the Australian Prudential Regulation Authority (APRA). The committee makes an annual recommendation to the board on the remuneration of the managing director, direct reports of the managing director, additional management personnel, and other persons specified by APRA.
4. Remuneration in relation to categories of person	The committee makes 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 non-executive directors)). (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 is provided, including the pool of funds available for distribution as bonuses.

Issue	Commentary
5. Risk adjustment	The committee makes 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.
6. Equity plans	The committee recommends to the board equity schemes and monitors tracking of performance against board approved hurdles for senior executives.
7. Superannuation	The committee recommends to the board any material changes to superannuation arrangements.
8. 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 reporting period, management engaged a remuneration consultant, PriceWaterhouseCoopers, to assist with the development of an evaluation framework for the remuneration policy and to assist with valuation for the purposes of long-term incentives. Neither of these engagements were engagements that would require approval of directors or the committee under the legislation[1] that applies from 1 July 2011 to remuneration consultancy contracts, nor would the advice be required to be provided only to directors or the committee under that legislation (as is required for certain remuneration recommendations).

[1] Contained in section 206K of the Corporations Act 2001, introduced by the Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011.

3.3 Remuneration policy

The key features of the Company's remuneration policy, introduced in 2010, are set out in the table below. The Company has pursued a long term strategy focused 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 in section 3.5.1.

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 appropriate for senior executive roles, responsibilities and market relativities.

This has been reflected in the design of senior executive remuneration including to reward annual performance whilst providing sufficient flexibility to allow rewards to be tailored to support the achievement of short term performance targets, as well as the continued investment in strategy and business objectives that have a medium to longer term maturity profile. In line with the Company's long term focus, senior executive incentive arrangements take into account the earnings and return on equity performance of the Company, the level of risk associated with that performance and senior executive contributions to meeting risk and compliance requirements. A component of executive incentive awards is subject to deferral and the board has an absolute discretion to adjust incentive payments, to zero if appropriate, based on risk considerations (as explained above) or based on Company performance.

Issue	Commentary	For more information see
1. 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.	n/a

Issue	Commentary	For more information see
2. Fixed remuneration	Base remuneration is designed to reflect 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. Senior executives are given the opportunity to receive their base remuneration in a variety of forms including cash and non-cash (salary sacrifice) benefits such as motor vehicles, superannuation contributions and expense payment arrangements, provided the cost (including any fringe benefits tax) to the Company remains the same. In setting the remuneration of senior executives, the board takes into account general market and peer information, as well as the experience and expertise of the individual, relative to the role and responsibilities of each senior executive. In the case of the managing director, the board also considers the strategic direction the managing director brings to the role, and any changes in the size, nature and complexity of the group's business activities, as well as industry developments which impact on the managing director's roles and responsibilities.	3.4
3. 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, team and individual level. Participation in STI is recommended by the governance & HR committee to the board for approval and 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 decides 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 is also 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 deciding 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.	3.4, 3.5.2
4. STI deferral and forfeiture	STI remuneration is subject to deferral as set out below. • One-third of STI awards are subject to deferral (refer table at 3.5.2 (8)) • Deferral is for two years from the end of the financial year for which the STI is granted. • The amount deferred is converted into shares in the Company. • Dividends on the deferred equity are reinvested in equity on the same terms as the deferred equity on which the dividends accrue. Forfeiture occurs if an employee's employment with the group ends; if an employee acts fraudulently or dishonestly and in other cases decided by the board (for example, due to an adjustment for risk).	3.5.2
5. Variable: long term incentive ("LTI")	LTI is discretionary equity based remuneration designed to drive and reward long term growth and sustained Company value, aligning the interests of shareholders and senior executives. At the board's discretion, senior executives may be invited to participate in long term incentive plans. The grants are subject to long term performance and service conditions. 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.	3.4, 3.5.3

Issue	Commentary	For more information see
6. Risk adjustment: STI & LTI	The board has discretion, having regard to the recommendation of the governance & 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.	n/a
7. Hedging	A hedging restriction applies to variable remuneration that comprises equity. An employee and their closely related parties may not enter into a transaction designed to remove the at-risk element of the equity before it has vested. This also applies to the at-risk element of equity after it has vested, if it is subject to a holding lock. These restrictions are in the staff trading policy and remuneration policy. The Company treats compliance with these policies as important and takes appropriate measures to ensure compliance. At the end of each financial year, the Company requires a confirmation from each participant in the plan that they have complied with these restrictions. If an employee breaches either of these restrictions the employee forfeits all variable remuneration in the form of equity that is subject to the prohibition at the time of the breach.	n/a
8. 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.	n/a
9. Maximum % of variable remuneration	It is expected that the maximum % of variable remuneration (STI and LTI) generally should not exceed the following. • 60% of total remuneration (managing director). • 55% of total remuneration (other executives). • 50% of total remuneration (senior managers and others approved by the board).	3.4.1

3.4 Remuneration terms and payments – overview

3.4.1 Components of remuneration

The components of executive remuneration and the relative proportion of remuneration for each component for FY2011 are set out below.

The arrangements have been structured to make sure 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.

	% of total aggregate remuneration*		
	Fixed remuneration	**'At risk' – performance-based**	
		STI**	**LTI*****
Mike Hirst	49%	12%	39%
Marnie Baker	52%	19%	29%
Dennis Bice	62%	15%	23%
John Billington	51%	20%	29%
Richard Fennell	50%	20%	30%
Russell Jenkins	48%	21%	31%
Tim Piper	52%	19%	29%
Stella Thredgold	50%	20%	30%
Andrew Watts	52%	19%	29%

*Aggregate remuneration comprises of fixed annual reward (including base salary, superannuation and allowances), STI at-risk available for the FY2011 year and the remuneration value of LTI grants for the F'Y2011 year.

** These amounts are subject to 'target' performance levels being achieved.

*** These amounts are subject to continued service with the Company, and for a portion of the grant, target performance levels being achieved.

3.4.2 Remuneration paid – FY2011 and FY2010

The remuneration paid to senior executives is set out below in the table below.

In setting remuneration levels for FY2011, the market survey and peer information used was based on 2010 annual report disclosures and data contributed directly by listed companies. The survey data includes S&P ASX 200 companies and companies in the banking and financial services sector. The senior executive remuneration was targeted at market median levels.

Senior executive	Short-term Employee Benefits				Super-annuation benefits [5]	Other long-term employee benefits[6]	Share-based payments [7, 8]		Total
	Cash Salary [1]	Bonuses (STI) [2]	Non-Monetary Benefits [3]	Other[4]			Performance rights & performance shares	Options	
Mike Hirst									
2011	1,225,413	300,000	47,238	12,636	41,538	90,648	1,202,879	74,837	2,995,189
2010	780,118	450,000	1,991	11,117	14,462	11,498	1,310,287	109,837	2,689,310
Marnie Baker									
2011	494,491	200,000	19,431	10,318	22,985	57,313	340,003	23,296	1,167,837
2010	350,860	100,000	20,287	9,329	19,824	5,865	287,538	47,463	841,166
Dennis Bice [9]									
2011	326,222	70,000	39,548	4,930	33,316	24,351	164,855	-	663,222
2010	294,507	45,192	13,451	4,062	25,753	33,247	141,046	-	557,258
John Billington[9]									
2011	332,957	100,000	9,639	-	12,452	-	200,452	-	655,500
2010	-	-	-	-	-	-	-	-	-
Richard Fennell									
2011	461,383	200,000	7,497	-	22,918	-	332,963	21,667	1,046,428
2010	346,038	150,000	3,374	-	21,319	-	260,128	21,667	802,526
Russell Jenkins									
2011	422,785	160,000	38,538	10,811	23,220	16,060	343,053	26,346	1,040,813
2010	432,579	80,000	3,745	9,967	19,073	6,286	293,090	53,013	897,753
Tim Piper									
2011	331,369	125,000	21,467	-	33,578	12,944	254,861	21,667	800,866
2010	357,478	90,000	3,284	-	20,659	43,135	206,106	21,667	742,329
Stella Thredgold [9]									
2011	264,848	80,000	10,966	-	19,822	16,948	136,666	-	529,250
2010	24,224	5,885	1,923	-	2,407	641	-	-	35,080
Andrew Watts [9]									
2011	374,789	100,000	27,457	2,525	23,094	9,725	227,940	22,933	788,463
2010	217,701	22,307	5,552	1,328	11,138	3,328	23,014	23,014	307,382

[1] Cash salary amounts include the net movement in the KMP's annual leave accrual for the year. In addition, the Company processes director and employee salary and wage payments on a fortnightly pay cycle. This year there were 27 pay-runs in the financial year and the fee amounts disclosed above include an additional fortnightly pay-run.

[2] In the case of FY2011, this amount represents STI payments to senior executives for 2011, which are expected to be paid in September 2011.

[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 Company'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 39.

[5] Represents superannuation contributions made on behalf of key management personnel under 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 Australian 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 calculated 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 calculated under AASB 124 Related Party Disclosures 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 37 to the full financial statements.

[8] The amortised value of performance rights, options and performance shares as a percentage of total remuneration was: M Hirst 43% (2010: 53%), M Baker 31% (2010: 40%), D Bice 25% (2010: 25%), J Billington 31% (2010: 0%), R Fennell 34% (2010: 35%), R Jenkins 35% (2010: 39%), T Piper 35% (2010: 31%), S Thredgold 26% (2010: 0%), A Watts 32% (2010: 15%).

[9] Mr Bice and Ms Thredgold became members of key management personnel during FY2010, Mr Bice on 6 August 2009, and Ms Thredgold on 29 April 2010. Mr Watts ceased being a member of key management personnel on 13 July 2009 and recommenced as a member of key management personnel on 24 December 2009. Mr Billington became a member of key management personnel during FY2011 on 31 August 2010. The remuneration amounts disclosed in the years in which these executives became key management personnel are only for that part of the financial year during which they were key management personnel.

3.5 Performance based remuneration

3.5.1 Company performance

The Company announced on 8 August 2011 a statutory after-tax profit of $342.1 million. The Company's cash earnings result was $336.2 million, a 15.5% increase on the previous financial year. The cash earnings result equated to 92.3 cents per share and represents a 10.8% increase on the previous financial year. Information on the Company's share price performance is presented below.

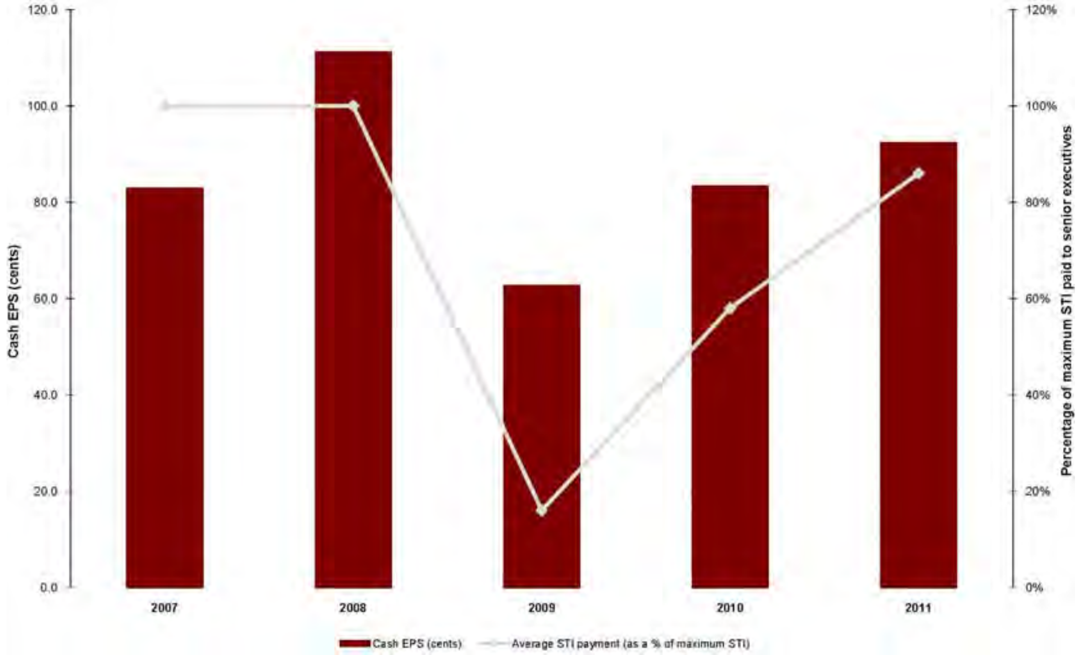
The improved earnings performance and profit result reflected the Company's robust business model based on the principle of engaging with our customers, partners and communities, the Company's commitment to profitable growth, its long term outlook, prudent and responsible approach to funding and growth, 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 $2.5 billion. The Company's net interest margin for the year improved from 2.12% for 2010 to 2.17% for 2011. The retail business continued to grow with continued strong demand for the **Community Bank®** model.

Total lending increased by eight percent compared to system growth of five percent, and total deposits grew by twelve percent compared to system growth of nine percent. The "Bendigo Bank" retail brand continues to produce consistent industry leading measures of customer satisfaction and brand advocacy. The Company also received a ratings upgrade to A- from Fitch Ratings and a rating outlook upgrade to BBB+ positive from Standard & Poor's.

Company performance measure	**Financial year ending**				
	June 2011	**June 2010**	**June 2009**	**June 2008**	**June 2007**
Basic earnings per share (cents)	91.5	67.4	25.4	87.7	81.9
Cash earnings per share (cents)	92.3	83.3	62.6	111.1	82.9
NPAT ($m)	342.1	242.6	83.8	198.3	121.8
Dividends paid	60	58	43	65	58
Share price at start of financial year	$8.18	$6.95	$10.93	$15.20	$12.90
Share price at end of financial year	$8.86	$8.18	$6.95	$10.93	$15.20
Absolute shareholder return	16%	26%	(32%)	(24%)	22%

The following graph shows the cash earnings over the past year and four previous years, with the average STI payment (as a percentage of the maximum STI) paid to senior executives, which demonstrates the relationship between performance and STI payments.



The following graph compares the Company's TSR against the ASX 100 Accumulation Index for the past five years (explained in section 3.5.3(b)) The ASX 100 is the comparator group against which the Company's TSR performance is measured for the current long term incentive plan. As discussed further below, no instruments have vested for current senior executives under the discontinued executive incentive plan.

The above table, together with the graphs, illustrate the progress in the key performance indicators used by the board to measure and compare the Company's year-on-year performance over the past 5 years.

The second key performance indicator used for the LTI is the Company's TSR performance. The Company's market relative TSR percentile ranking was partially achieved for both the 2010 and 2011 performance periods. The Company's market relative TSR performance underperformed the comparator group and did not achieve the targeted percentile ranking for the 2007, 2008 and 2009 performance periods.

3.5.2 Short-term incentive

(a) Description

The principles that apply to the short term incentive have been summarised above for executive key management personnel (3.3). More detail is provided below.

Feature	Description
1. 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.
2. Who participates in the STI?	All senior executives (who are key management personnel) and other senior management as decided by the board.
3. 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.
4. 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 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, first, on the achievement of the Company's target annual financial performance and, secondly on the level of individual executive performance.

<table>
<tr><th>Feature</th><th>Description</th></tr>
<tr><td>5. What are the performance conditions, why were they chosen and how are they measured?</td><td>
5.1 General Conditions
EPS Gateway
The amount of the annual incentive component paid to executives is dependent, first, on the Company's 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. In establishing any bonus pool the board takes into account financial measures including the achievement of targeted cash earnings and return on equity performance. The bonus pool also takes into account the type and level of risk associated with achieving the cash EPS performance using risk measures including capital ratios, liquidity ratios and the Company's risk weighted asset base.
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. The selected risk measures are fundamental to the nature of the business activities carried on by the Company.
Additional quantitative and qualitative measures
Payment of the annual incentive component is also dependent on achievement by executives of quantitative and qualitative measures as explained below. These measures have been chosen to link the executive's performance with the Company's vision to be Australia's leading customer-connected bank and its long-term strategic perspective (see further the governance statement in the annual report), as well as to encourage improved performance and to ensure the level of risk associated with the level of performance achieved by the Company is appropriate for the Company's circumstances. In addition, the managing director's objectives are linked to enhancing the reputation of the organisation.
5.2 Specific conditions
Managing director
The managing director's annual cash incentive component for the FY2011 was based upon a mix of quantitative and qualitative performance measures and was set at a maximum of $300,000.
The quantitative element, weighted at 60% for FY2011, focused on the group achieving its targeted cash EPS performance. This was chosen to link the managing director's performance to improved Company performance.
The qualitative element, weighted at 40% for FY2011, has been chosen to focus on the continued progress of the group's strategic priorities. The objectives and measures are set out below.

Growth initiatives and opportunities – assessment of opportunities implemented.
Rating upgrade – assessment of any upgrades achieved.
Representation of the organisation – assessment of representation of the Company at Federal and State Government levels, presentations at industry conferences and forums and participation in public and community events.
Achievement of the business goal “making it easier for customers to do business with us” – assessment of introduction of short and long term initiatives and realisation of benefits connected with the initiatives.
Senior executive succession planning – assessment of availability and readiness of potential successors for senior executive positions.
Risk and compliance – assessment of capital, liquidity, loan arrears and risk weighted asset ratios.
Customer satisfaction and advocacy – assessment of customer satisfaction and advocacy rankings.

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

<table>
<tr><th>Feature</th><th>Description</th></tr>
<tr><td>5. What are the performance conditions, why were they chosen and how are they measured? (cont'd)</td><td>Other senior executives
The objectives and measures for individual executives include those set out below.
• Group financial and strategic performance – net profit after tax, cash earnings per share, return on equity, liquidity and capital ratios and arrears performance.
• Business unit (team) financial and strategic performance – achievement of division or business unit growth and financial performance targets, implementation of specific business initiatives and projects in line with project targets and timeframes, independent industry focused customer satisfaction and advocacy rankings and customer and community engagement initiatives.
• Individual contribution to team performance – achievement of overall division or business unit targets and business and risk objectives, assessment of extent to which a "one-team" culture has been promoted, assessment of continuous improvement in processes and procedures.
• Individual performance, including alignment with corporate values and meeting performance objectives – assessment of leadership, management of business unit resourcing and compliance with corporate values and code of conduct.
• Contribution to meeting risk and compliance requirements at the group, team and individual level. Risk and compliance requirements also represent a gateway to whether a payment is made and the size of the payment. Notwithstanding financial performance and the individual contribution and performance, if the individual, team or group does not meet or only partially meets risk and compliance requirements, no award or a reduced award may be made. Measures include compliance with risk management and operational policies and procedures.</td></tr>
<tr><td>6. When are the performance conditions measured and who assesses the performance?</td><td>The performance conditions are measured at the same time as board approval of the Company's year-end profit result announcement. 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. However, STI is only paid if the board decides there is a bonus pool available – see the table at paragraph 3.3 above, item 3. This method of assessment has been chosen because it enables the objective measurement of EPS growth against EPS targets while enabling the board to exercise its discretion for risk adjustments relating to 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. Further information regarding the board's approach to adjusting remuneration for risk is contained in sections 3.2 and 3.3.

The non-executive directors conduct 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 decides the amount of the incentive payment based upon the achievement of the agreed performance measures. This allows for independent and objective assessment of the achievement of performance measures while enabling any necessary risk adjustments to occur at the board's discretion.

The managing director assesses the performance of other senior executives and recommends the annual STI payments for senior executives for consideration by the governance & HR committee and decision by the board. In making the recommendation, the managing director takes into account the group bonus pool available for the payment of STI awards and bonuses to group employees. This method of assessment has been chosen as the managing director is best placed to make an informed assessment of senior executive performance and progress towards performance targets, while the board retains ultimate oversight for the grant of STI awards and any necessary risk adjustments.</td></tr>
<tr><td>7. How well were the performance conditions met in the 2011 financial year?</td><td>The group recorded an after-tax profit of 342.1 million, an increase of 41% on the previous financial year, and a cash earnings result of $336.2 million representing a 15.5% increase on the previous financial year. The Company's overall performance for the year achieved the targets set by the board including the cash earnings result which was marginally ahead of the board target. Information on the STI payments made, including the percentages of STI paid and forfeited for the senior executives are presented below.</td></tr>
<tr><td>8. What deferral arrangements apply?</td><td>One third of STI awards which exceed the $30k threshold set by the board, are subject to deferral into equity for two years from the end of the financial year, i.e until 30 June 2013.</td></tr>
</table>

(b) Payments – FY2011 and FY2010

The grants for FY2011 and FY2010 are included in the summary of remuneration paid set out in the table above (see 3.4.2).

The grants for FY2011 are set out in more detail below, also showing the payments as a percentage of the maximum payable, and the percentage forfeited. The grants are expected to made in September 2011.

As explained above (see paragraphs 3.3 and 3.5.2 (a)), one third of STI payments are deferred into equity for two years from the end of the financial year. During that time the payment is subject to forfeiture if the employee's employment with the group ends, if an employee acts fraudulently or dishonestly and in other cases decided by the board (for example, due to an adjustment for risk). Accordingly, the minimum amount of the STI payment made for the current reporting period in future years (i.e in 2013 at the end of the deferral) is nil, and the maximum amount is as set out in the table.

Senior executive	STI payment		STI payment as % of maximum STI	% of maximum STI payment forfeited
	Paid as cash	Deferred into shares		
Mike Hirst	$200,000	$100,000	100%	0%
Marnie Baker	$133,333	$66,667	100%	0%
Dennis Bice	$46,667	$23,333	70%	30%
John Billington	$66,667	$33,333	62%	38%
Richard Fennell	$133,333	$66,667	100%	0%
Russell Jenkins	$106,667	$53,333	80%	20%
Tim Piper	$83,333	$41,667	83%	17%
Stella Thredgold	$53,333	$26,667	80%	20%
Andrew Watts	$66,667	$33,333	67%	33%

3.5.3 Long term incentive

(a) Overview

The following long term incentive arrangements are in place.

	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, final testing 2012.
Participants	Senior executives (including the managing director) and other senior management approved by the board.	Senior executives 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 periods, the performance shares lapse and the senior executives receive 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 receive no value from the grants.

The Company also has 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 before introducing the executive incentive plan. It did not include performance conditions, as at the time, the board considered that it was in the best interests of the organisation as a whole to have the managing director and other senior executives on the same equity participation arrangement as general staff who also participated in the ESOP. Information on the ESOP, including share grants and loan details are disclosed at Notes 37 and 39 of the full financial statements. This plan is no longer open to senior executives.

(b) Current plan – terms

Key features of the current plan and grants under it are summarised below.

Feature	Description
1. 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.
2. Who participates in the LTI?	The managing director and other senior executives as decided by the board. Shareholder approval is required for participation by the managing director.
3. What proportion of total remuneration does the LTI represent?	In the case of the managing director, the grant made under the LTI in 2009, annualised over each of the five years to which the grant relates, equated to 38% of his total annual remuneration for the 2011 year. In the case of other senior executives, the grants under the current LTI equate to between 25% and 31% of their total annual remuneration.
4. How is reward delivered under the LTI?	The LTI involves an entitlement to performance shares made in equal tranches. See 3.5.3(c) for the tranches that have been issued. Each tranche comprises two components or grants: • 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 total shareholder return ("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 is equal to the number of performance shares issued (subject to the conditions to vesting being met).
5. Do participants pay for the performance shares?	Performance shares have been granted at no cost to the recipient and no exercise price applies.
6. 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 or their closely related parties may not enter into any transaction designed to remove the "at-risk" element of an instrument both before and, if there is a holding lock, after it vests (see 3.3 above).
7. 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 market relative TSR performance. See below – 3.5.3(c) for the performance period. In the case of the managing director this is measured over 5 years. In the case of other executives, grants in FY2010 are measured over 3 years, and grants in FY2011 are measured over 2 years.
8. 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 (see item 11 below for information on the composition of the comparator group). The performance periods take into account retention of senior executives and the managing director, and the period of the managing director's contract (see further, 3.5.3 (c) below).
9. 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.

Feature	Description
10. 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).
11. 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 is the ASX 100 Accumulation Index (excluding the Company, property trusts and resources). This group was chosen because the companies are of comparable size, and there are insufficient companies of comparable size in the banking or financial services sector alone to benchmark against performance of an industry-specific group.
12. What is 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%
13. 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.
14. What if a senior executive ends 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.
15. 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.
16. What happens if there is a change in control?	If there is a takeover or change of control of the Company, the board has a discretion to decide that unvested performance shares vest, having regard to the Company's pro rata performance against the relevant performance conditions.

(c) Current plan – grants

General

The first grant to the managing director and other senior executives was made on 11 December 2009 (FY 2010 Grant). The managing director's grant involved a five year performance period and the grants to other senior executives involved a three year performance period. The board approved supplementary grants of performance shares in FY2011 as follows:

(a) To current senior executives who were not senior executives at the time of the FY2010 grant.

(b) To senior executives who were senior executives at the time of the FY2010 grant as part of the 2011 remuneration review to reflect changes in role, the contributions made and realignment of the mix of variable pay between short and long term.

The grants were made with the same end date to align with the FY2010 grant made to senior executives, and aside from the difference in length of performance periods, were on the same terms as the FY2010 grant.

The following table shows the categories of participants that have received grants under the plan and the achievement to date against the performance measure for each tranche.

Performance period			**Participant**			**Outcome to date**	
Start	**End**	**Length - years**	**Managing director – FY2010**	**Senior executives – FY 2010**	**Senior executives – FY2011**	**Grant A** (EPS and TSR condition)	**Grant B** (service condition)
1.7.09	30.6.10	1	✓	✓	✗	This tranche was tested in August 2010. The EPS gateway hurdle was met. The TSR test was partially met and 65% of the shares vested. The shares that did not vest were carried forward and retested	The performance shares issued to senior executives vested for continuing executives as the service condition was satisfied. For each senior executive whose employment with the Company ended during a year, the performance shares for that year lapsed.
1.7.09	30.6.11	2	✓	✓	✗	This tranche was tested in August 2011. The EPS gateway hurdle was met. The TSR test was partially met and 65% of the shares vested. The shares that did not vest were carried forward and retested	
1.7.10[a]	30.6.11	1	✗	✗	✓	This tranche was tested in August 2011. The EPS gateway hurdle was met. The TSR test was partially met and 65% of the shares vested. The shares that did not vest were carried forward and retested	
1.7.09	30.6.12	3	✓	✓	✗	n/a	n/a
1.7.10[a]	30.6.12	2	✗	✗	✓	n/a	n/a
1.7.09	30.6.13	4	✓	✗	✗	n/a	n/a
1.7.09	30.6.13	5	✓	✗	✗	n/a	n/a

[a] The grant date for the supplementary grants referred to above was 8 October 2010. The fair value at the grant date of each performance share was as follows:

- Tranche 1 (Performance period 1.7.10 to 30.6.11): Grant A $6.34 and Grant B $8.84.
- Tranche 2 (Performance period 1.7.10 to 30.6.12): Grant A $5.21 and Grant B $8.42.

An explanation of the pricing model used to calculate these values is set out in Note 37 to the full financial statements.

The number of performance shares granted is included in the table in paragraph 3.5.3(f) below and the maximum value of the grants is included in the table in paragraph 3.5.3 (g) below. Having regard to the service and performance conditions, the minimum value is nil.

Managing director

Further details about the grants made to the managing director are set out in the table below.

In setting the five year performance period (and the additional two year dealing restriction), the board took into account the initial five year term of the managing director's contract (July 2009 – July 2014) and the importance of rewarding the managing director for taking a longer-term perspective on the Company's progress and performance.

In setting the remuneration value of the entitlement, the board included a component that was subject to continued service with the Company. This took into account the relatively moderate market setting of the managing director's remuneration. It was intended to provide the managing director with a further ownership stake in Company aligned with shareholder interests. This component in substance 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 performance shares were issued at market price to the value of $5 million (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 before 1 July 2009 (being $6.56).

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.

	Percentage of remuneration value of performance rights	**Performance shares (number)**	**Potential remuneration value**	**Performance period**	**Outcome to date**
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)	*No of shares vested:* 125,761 *Value at time of vesting*: $8.18 per share *No of shares carried into next tranche:* 26,677
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)	*No of shares vested:* 143,102 *Value at vesting time:* $8.86 *No of shares carried into next tranche:* 36,013
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)	n/a
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)	n/a
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)	n/a

The board imposed a further two year dealing restriction on shares that vest under the LTI. The shares may not be hedged during that period.

(d) Discontinued plan - terms

The terms of the discontinued executive incentive plan and grants under it are 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.

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). The comparator group was chosen because the companies were of comparable size, and there are insufficient companies of comparable size in the banking or financial services sector alone to benchmark against performance of an industry-specific group

Options granted to date under the plan 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 are 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.

The exercise price for options is the seven day volume weighted average price in the week ending on the grant date.

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 under the plan 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% (for the 2009 grant, 5%) per annum, calculated on a compound basis.

Company's compound growth in EPS	Percentage of performance rights that vest
EPS compound growth less than 5% (10% for earlier grants)	Nil
EPS compound growth at or above 5% (10% for earlier 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, they lapse after the retest.

(e) Discontinued plans - grants

Shareholders at the 2006 annual general meeting approved the grant of instruments under the discontinued executive incentive plan to senior executives.

Offers were made as follow:

- November 2006 (2007 grant)
- July 2007 (2008 grant)
- November 2008 (2009 grant)

The proportion of remuneration represented by the LTI was between 12% and 23% of total remuneration.

Outcome

The outcome is that no securities have vested under the terms of the executive incentive plan to current senior executives:[2]

- The 2007 grant was tested in August 2009 and was retested in August 2010 (and also in January 2010 for the options). The unvested rights and options lapsed.
- The 2008 grant was tested in August 2010 and retested in August 2011 (and also in January 2011 for the options). The unvested rights and options lapsed.
- The 2009 grant was tested in August 2011 and no performance rights or options vested. They will be retested in FY 2012.

The 2008 and 2009 performance option grants under the executive incentive plan partially met the performance hurdles set. The board has decided not to vest the options at this time exercising the Board's powers under clauses 7.1 and 7.2 of the executive incentive plan rules, to amend the terms of any instruments granted, which may have adverse tax consequences for the participants. A further review of vesting of the options is to be considered on a quarterly basis at the end of the restriction period/retest period on 30 June 2012 and 30 June 2013.

[2] As disclosed in previous remuneration reports, some securities vested in previous years to former Adelaide Bank executives under replacement grants of performance rights on terms that, taken as a whole, were economically equivalent to the terms of the Adelaide Bank rights, which were on different terms to some of those for the executive incentive plan. Otherwise the only securities which have vested under the executive incentive plan were those to two departing executives in 2010, where the board exercised its discretion to vest securities pro rata having regard to contribution and length of service.

(f) All plans - changes in number of instruments - FY2011

The table below sets out the changes in number of performance rights, options and performance shares held by senior executives during the year.

		Movements in number				
Senior executive	**Instrument**	**Balance at 1 July 2010**	**Granted**	**Vested**	**Forfeited/ Lapsed**	**Balance at 30 June 2011**
Mike Hirst	Performance rights	31,625	-	-	7,484	24,141
	Options	204,261	-	-	-	204,261
	Performance shares	636,429	-	143,102	-	493,327
Marnie Baker	Performance rights	12,682	-	-	5,167	7,515
	Options	78,898	-	-	-	78,898
	Performance shares	66,307	24,008	38,522	-	51,793
Dennis Bice	Performance shares	43,100	4,800	20,582	-	27,318
John Billington	Performance shares	-	52,820	21,788	-	31,032
Richard Fennell	Performance rights	6,989	-	-	-	6,989
	Options	47,445	-	-	-	47,445
	Performance shares	58,020	30,012	37,422	-	50,610
Russell Jenkins	Performance rights	14,201	-	-	5,702	8,499
	Options	88,462	-	-	-	88,462
	Performance shares	66,307	24,008	38,522	-	51,793
Tim Piper	Performance rights	6,989	-	-	-	6,989
	Options	47,445	-	-	-	47,445
	Performance shares	43,100	22,808	28,010	-	37,898
Stella Thredgold	Performance shares	-	36,012	14,855	-	21,157
Andrew Watts	Performance rights	11,318	-	-	3,920	7,398
	Options	71,373	-	-	-	71,373
	Performance shares	-	54,020	22,283	-	31,737

(g) All plans - value of instruments - FY2011

The table below sets out the value of performance rights, options and performance shares that were granted, vested, exercised or forfeited/lapsed during FY2011.

		Value			
Senior executive	**Instrument**	**Granted[(a)]**	**Vested[(b)]**	**Exercised**	**Forfeited/ Lapsed[(c)]**
Mike Hirst	Performance rights	-	-	-	$105,001
	Options	-	-	-	-
	Performance shares	-	$1,267,884	$1,267,884	-
Marnie Baker	Performance rights	-	-	-	$72,493
	Options	-	-	-	-
	Performance shares	$172,918	$341,305	$341,305	-
Dennis Bice	Performance shares	$34,572	$182,357	$182,357	-
John Billington	Performance shares	$380,436	$193,042	$193,042	-
Richard Fennell	Performance rights	-	-	-	-
	Options	-	-	-	-
	Performance shares	$216,161	$331,559	$331,559	-
Russell Jenkins	Performance rights	-	-	-	$79,999
	Options	-	-	-	-
	Performance shares	$172,918	$341,305	$341,305	-
Tim Piper	Performance rights	-	-	-	-
	Options	-	-	-	-
	Performance shares	$164,275	$248,169	$248,169	-
Stella Thredgold	Performance shares	$259,376	$131,615	$131,615	-
Andrew Watts	Performance rights	-	-	-	$54,998
	Options	-	-	-	-
	Performance shares	$389,079	$197,427	$197,427	-

(a) The value of performance shares at the grant date is calculated using the fair value of the performance shares. An explanation of the pricing model used to calculate this value is set out in Note 37 to the full financial statements.

(b) The value of vested performance shares is based on the Company's closing share price on the date of testing (there is no exercise price). The value of each performance share on the date of testing was $8.86. The shares are scheduled to vest in September 2011.

(c) The value of each performance right and option on the date it lapses or is forfeited is 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 37 to the full financial statements.

(d) The value of options, performance rights and performance shares carried forward to future financial years is calculated using the fair value of the performance shares. The share based payments may be forfeited after allocation in specific circumstances as described in section 3.5.3. Therefore the minimum possible value of the awards is nil. The maximum value cannot be determined because it depends on future share price, but it is estimated according to fair value used for accounting purposes in this table.

3.6 Senior executive contracts

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

Issue	Description	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
	On-going until notice is given by either party.	Senior executives [(a)]
What notice must be provided by a senior executive to end the contract without cause?	12 months' notice. No notice period required if material change in duties or responsibilities.	Managing director
	6 months' notice. No notice period required if material change in duties or responsibilities.	All senior executives [(a)]
What notice must be provided by the Company to end the contract without cause? [(b)]	12 months' notice or payment in lieu.	All senior executives [(a)]
What payments must be made by the Company for ending the contract 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 if the Company ends the contract for cause?	Termination for cause does not require a notice period. Payment of pro-rata gross salary and benefits (including payment of accrued / unused leave entitlements) is required to date of termination.	Senior executives
Are there any post-employment restraints?	12 month non-competition and non-solicitation (employees, customers and suppliers) restriction.	Managing director
	12 month non-solicitation (employees, customers and suppliers) restriction.	Senior executives

[(a)] This does not include Mr Dennis Bice. Mr Bice is employed by the Company (over 35 years) and under his employment contract is currently entitled to 99 weeks notice or payment in lieu.

[(b)] In certain circumstances, such as a substantial diminution of responsibility, the Company may be deemed to have ended 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 ending the contract without cause".

Meetings of directors
Information on board and committee meeting attendance for the year is presented in the Corporate Governance Statement.

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. The insurance does not provide cover for the independent auditor of the Company or of a related body corporate of the Company.

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	208,386	500	-	-	-
M J Hirst	334,919 [1]	-	-	-	721,729
K D Abrahamson	19,284	-	180	129	-
J L Dawson	21,346	100	-	-	-
T J O'Dwyer	73,575	-	-	-	-
D L Radford	1,900	-	-	-	-
A D Robinson	5,966	-	-	-	-
D Matthews	6,925	-	-	-	-
J Hazel	10,659	-	-	-	-

[1] Includes 50,000 shares issued under the Bendigo Employee Share Ownership Plan and 275,006 shares issued under the salary sacrifice, deferred share and performance share 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 thirteen 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 2011. 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 2011. 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 2011:

(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	144,585	Bendigo and Adelaide Bank Limited, Rural Bank Limited.
APRA 2011 Targeted Review	226,600	Bendigo and Adelaide Bank Limited
Australian Financial Services Licence Audits	66,500	(1) Refer below
Comfort Letter – Euro Medium Term Note Program	27,295	Bendigo and Adelaide Bank Limited
Trust Deed Report - Victorian Securities Trust	11,871	Bendigo and Adelaide Bank Limited
Sub total – Audit related fees (Regulatory)	**476,851**	

(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, National Assets Securitisation Corporation and Rural Bank Limited

(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	11,588	Bendigo and Adelaide Bank Limited, Victorian Securities Corporation Limited
Sub total – Audit related fees (Non-regulatory)	**11,588**	

(c) Non audit related fees:

Service	**Fees** (excluding GST) $	**Entity**
Tax advice	698,387	Bendigo and Adelaide Bank Limited
Professional Services	11,005	Bendigo and Adelaide Bank Limited
Sub total – non audit related fees	**709,392**	
Total – non audit services	**1,197,831**	

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

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

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

In relation to our audit of the financial report of Bendigo and Adelaide Bank Limited for the financial year ended 30 June 2011, 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

6 September 2011

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

Robert Johanson

Robert Johanson

Chairman

Mike Hirst

Managing Director

6 September 2011

INCOME STATEMENT

for the year ended 30 June 2011

	Note	Consolidated		Parent	
		2011	2010	2011	2010
Income		$m	$m	$m	$m
Net interest income					
Interest income	4	3,381.2	2,712.2	2,485.2	2,032.6
Interest expense	4	2,446.0	1,857.6	1,752.8	1,361.1
Total Net interest income		935.2	854.6	732.4	671.5
Other revenue					
Dividends	4	7.2	6.3	46.2	111.8
Fees	4	194.2	201.6	176.1	182.5
Commissions	4	43.2	40.9	17.3	16.0
Other revenue	4	50.4	33.5	35.3	44.9
Total other revenue		295.0	282.3	274.9	355.2
Other income					
Ineffectiveness in cash flow hedges	4	2.6	(33.9)	(1.3)	(37.4)
Realised accounting gain on the sale of equity investments	4	-	19.9	-	0.3
Other	4	(0.2)	(0.6)	(0.2)	(0.6)
		2.4	(14.6)	(1.5)	(37.7)
Share of joint ventures net profit/(losses)	22	3.4	12.7	-	-
Total income after interest expense		1,236.0	1,135.0	1,005.8	989.0
Expenses					
Bad and doubtful debts on loans and receivables					
Bad and doubtful debts		48.5	50.9	16.5	40.0
Bad and doubtful debts recovered		(4.3)	(6.2)	(4.2)	(6.0)
Total bad and doubtful debts on loans and receivables	4	44.2	44.7	12.3	34.0
Other expenses					
Staff and related costs	4	375.0	334.7	332.6	302.0
Occupancy costs	4	62.3	57.7	59.4	55.7
Amortisation of intangibles	4	41.7	38.2	33.2	31.4
Property, plant & equipment costs	4	11.5	13.4	11.0	12.4
Fees and commissions	4	39.0	37.9	20.9	19.8
Property revaluation	4	-	10.2	-	-
Accounting loss on disposal of securitisation notes	4	14.7	-	14.7	-
Write-down of impaired intangible software	4	26.6	-	26.6	-
Recovery of GST payments	4	(15.3)	-	(15.3)	-
Integration costs	4	7.2	35.1	4.6	27.8
Employee shares gain	4	(1.4)	(2.6)	(1.4)	(2.6)
Other	4	206.0	215.0	220.0	201.3
Total other expenses		767.3	739.6	706.3	647.8
Profit before income tax expense		424.5	350.7	287.2	307.2
Income tax expense	6	(77.9)	(90.8)	(27.3)	(63.1)
Net profit for the period		346.6	259.9	259.9	244.1
Net (profit) attributable to non-controlling interest		(4.5)	(17.3)	-	-
Net profit attributable to owners of the parent		342.1	242.6	259.9	244.1

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

	Note	2011	2010
Basic earnings per ordinary share (cents per share)	9	91.5	67.4
Diluted earnings per ordinary share (cents per share)	9	86.4	62.9
Franked dividends per ordinary share (cents per share)	10	60.0	58.0

BALANCE SHEET
as at 30 June 2011

	Note	Consolidated		Parent	
		2011	2010	2011	2010
		$m	$m	$m	$m
Assets					
Cash and cash equivalents	14	469.0	760.5	346.7	615.0
Due from other financial institutions	14	201.6	279.7	200.9	279.0
Amounts receivable from controlled entities		-	-	1,576.6	694.9
Financial assets held for trading	15	4,331.7	3,985.2	4,332.7	3,986.3
Financial assets available for sale - debt securities	16	452.1	261.5	2,334.7	2,039.3
Financial assets held to maturity	18	380.3	482.8	69.7	97.4
Other assets	27	417.0	618.2	828.3	460.8
Financial assets available for sale - equity investments	17	123.4	111.7	3.5	3.0
Derivatives	43	9.3	7.4	42.2	130.8
Loans and other receivables - investment	19	471.2	541.0	471.2	541.0
Net loans and other receivables	19	45,866.7	42,980.8	39,255.4	35,636.6
Investments in joint ventures accounted for using the equity method	22	12.5	7.2	-	-
Shares in controlled entities		-	-	489.3	530.1
Property, plant & equipment	23	99.9	103.6	66.7	85.4
Deferred tax assets	6	180.2	201.0	134.1	146.5
Investment property	24	263.0	158.9	-	-
Intangible assets and goodwill	25	1,654.7	1,641.6	1,519.1	1,481.6
Total Assets		54,932.6	52,141.1	51,671.1	46,727.7
Liabilities					
Due to other financial institutions	14	215.6	195.5	214.6	194.3
Deposits	28	40,521.3	37,076.2	37,526.0	33,504.2
Notes payable	28	8,381.8	9,059.8	576.9	1,156.4
Derivatives	43	132.0	263.6	152.4	220.3
Other payables	29	781.2	760.3	830.7	820.8
Loans payable to securitisation trusts		-	-	7,738.0	6,406.7
Income tax payable	6	68.6	73.1	68.6	59.9
Provisions	30	84.5	89.1	82.5	76.9
Deferred tax liabilities	6	122.3	120.7	71.0	129.9
Reset preference shares	31	89.5	89.5	89.5	89.5
Subordinated debt - at amortised cost	32	575.7	532.9	484.9	393.7
Total Liabilities		50,972.5	48,260.7	47,835.1	43,052.6
Net Assets		3,960.1	3,880.4	3,836.0	3,675.1
Equity					
Equity attributable to equity holders of the parent					
Issued capital - ordinary	33	3,408.9	3,361.7	3,408.9	3,361.7
Perpetual non-cumulative redeemable convertible preference shares	33	88.5	88.5	88.5	88.5
Step up preference shares	33	100.0	100.0	100.0	100.0
Employee Share Ownership Plan (ESOP) shares	33	(24.6)	(27.7)	(24.6)	(27.7)
Reserves	34	37.8	(22.3)	43.6	(34.1)
Retained earnings	34	349.5	234.5	219.6	186.7
Total parent interests		3,960.1	3,734.7	3,836.0	3,675.1
Total non-controlling interests		-	145.7	-	-
Total Equity		3,960.1	3,880.4	3,836.0	3,675.1

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2011

	Note	Consolidated		Parent	
		2011	**2010**	**2011**	**2010**
		$m	**$m**	**$m**	**$m**
Available for sale financial assets revaluation	**34**	11.5	31.6	0.4	(1.1)
Transfer to income on sale of available for sale assets	**34**	(1.0)	-	(1.0)	0.2
Asset revaluation reserve - property	**34**	-	4.7	-	-
Net gain/(loss) on cash flow hedges taken to equity	**34**	95.7	132.8	102.0	228.5
Net gain/(loss) on cash flow hedges taken to equity - joint ventures	**34**	-	11.9	-	-
Net gain/(loss) on reclassification from cash flow hedge reserve to income	**34**	2.6	33.7	(1.3)	35.8
Net unrealised gain/(loss) on debt securities in available for sale portfolio	**34**	(0.3)	0.3	(0.1)	0.2
Actuarial gain/(loss) on superannuation defined benefits plan	**34**	0.3	2.8	0.3	2.8
Tax effect on items taken directly to or transferred from equity	**34**	(31.1)	(64.5)	(28.8)	(78.9)
Net income/(loss) recognised directly in equity		77.7	153.3	71.5	187.5
Profit for the year		346.6	259.9	259.9	244.1
Total comprehensive income for the period		424.3	413.2	331.4	431.6
Total comprehensive income for the period attributable to:					
Non-controlling interest		5.8	17.8	-	-
Members of the Parent		418.5	395.4	331.3	431.6

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2011

CONSOLIDATED

	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	ARR* - property	ARR* - available for sale share investments	ARR* - debt securities	Cash flow hedge reserve	Acquisitions reserve	General reserve for credit losses (GRCL)	General reserve for credit losses joint ventures	Total		
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
At 1 July 2010															
Opening balance b/fwd	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
Acquired in business combination	-	-	-	-	-	-	-	-	-	-	-	-	-	(148.3)	(148.3)
Comprehensive income:															
Profit for the year	-	-	-	342.1	-	-	-	-	-	-	-	-	342.1	4.5	346.6
Other comprehensive income	-	-	-	0.3	-	-	7.0	(0.3)	69.4	-	-	-	76.4	1.3	77.7
Total comprehensive income for the period	-	-	-	342.4	-	-	7.0	(0.3)	69.4	-	-	-	418.5	5.8	424.3
Transactions with owners in their capacity as owners:															
Shares issued	47.2	-	-	-	-	-	-	-	-	-	-	-	47.2	-	47.2
Reduction in Employee Share Ownership Plan (ESOP) shares	-	3.1	-	-	-	-	-	-	-	-	-	-	3.1	-	3.1
Movement in general reserve for credit losses (GRCL)	-	-	-	(6.2)	-	-	-	-	-	-	6.2	-	-	0.1	0.1
Share based payment	-	-	-	-	(1.6)	-	-	-	-	-	-	-	(1.6)	-	(1.6)
Acquisition Reserve - Rural Bank	-	-	-	-	-	-	-	-	-	(20.4)	-	-	(20.4)	-	(20.4)
Equity dividends	-	-	-	(221.4)	-	-	-	-	-	-	-	-	(221.4)	(4.3)	(225.7)
Other	-	-	-	0.2	-	(0.2)	-	-	-	-	-	-	-	1.0	1.0
At 30 June 2011	3,408.9	(24.6)	188.5	349.5	18.7	3.4	34.5	-	(109.3)	(20.4)	110.9	-	3,960.1	-	3,960.1

ARR - Asset revaluation reserve

STATEMENT OF CHANGES IN EQUITY (continued…)

for the year ended 30 June 2010

CONSOLIDATED

	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	ARR* - property	ARR* - available for sale share investments	ARR* - debt securities	Cash flow hedge reserve	Cash flow hedge reserve joint ventures	General reserve for credit losses (GRCL)	General reserve for credit losses joint ventures	Total		
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
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 (ESOP) 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 comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	(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

*** ARR - Asset revaluation reserve***

STATEMENT OF CHANGES IN EQUITY (continued…)

for the year ended 30 June 2011

PARENT

	Attributable to owners of Bendigo and Adelaide Bank Limited										Total equity
	Issued ordinary capital	ESOP shares	Preference shares	Retained earnings	Employee Benefits Reserve	ARR* - property	ARR* - available for sale share investments	ARR* - debt securities	Cash Flow Hedge Reserve	General Reserve For Credit Losses (GRCL)	
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	
At 1 July 2010											
Opening balance b/fwd	3,361.7	(27.7)	188.5	186.7	17.5	0.3	1.7	0.2	(140.0)	86.2	3,675.1
Comprehensive income:											
Profit for the year	-	-	-	259.9	-	-	-	-	-	-	259.9
Other comprehensive income	-	-	-	0.3	-	-	(0.7)	(0.1)	72.0	-	71.5
Total comprehensive income for the period	-	-	-	260.2	-	-	(0.7)	(0.1)	72.0	-	331.4
Transactions with owners in their capacity as owners:											
Shares issued	47.2	-	-	-	-	-	-	-	-	-	47.2
Reduction in Employee Share Ownership Plan (ESOP) shares	-	3.1	-	-	-	-	-	-	-	-	3.1
Movement in general reserve for credit losses (GRCL)	-	-	-	(6.2)	-	-	-	-	-	6.2	-
Share based payment	-	-	-	-	0.5	-	-	-	-	-	0.5
Equity dividends	-	-	-	(221.4)	-	-	-	-	-	-	(221.4)
Other	-	-	-	0.2	-	(0.2)	-	-	-	-	-
At 30 June 2011	3,408.9	(24.6)	188.5	219.6	18.0	0.1	1.0	0.1	(68.0)	92.4	3,836.0

***ARR - Asset revaluation reserve**

STATEMENT OF CHANGES IN EQUITY (continued…)

for the year ended 30 June 2010

PARENT

	Attributable to owners of Bendigo and Adelaide Bank Limited										Total equity
	Issued ordinary capital	ESOP shares	Preference shares	Retained earnings	Employee Benefits Reserve	ARR * - property	ARR* - available for sale share investments	ARR* - debt securities	Cash Flow Hedge Reserve	General Reserve For Credit Losses (GRCL)	
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	
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
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 (ESOP) 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)
Other	-	-	-	(54.4)	-	-	-	-	(63.6)	-	(118.0)
At 30 June 2010	3,361.7	(27.7)	188.5	186.7	17.5	0.3	1.7	0.2	(140.0)	86.2	3,675.1

**** ARR - Asset revaluation reserve***

CASH FLOW STATEMENT

for the year ended 30 June 2011

	Note	Consolidated		Parent	
		2011	2010	2011	2010
		$m	$m	$m	$m
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest and other items of a similar nature received		3,338.9	2,591.2	2,444.9	1,940.1
Interest and other costs of finance paid		(2,380.3)	(1,835.7)	(1,696.9)	(1,332.1)
Receipts from customers (excluding effective interest)		271.6	250.3	257.2	278.9
Payments to suppliers and employees		(655.8)	(630.9)	(625.0)	(625.6)
Dividends received		7.5	17.3	46.2	120.3
Income taxes paid		(93.8)	(44.2)	(70.5)	(133.2)
Net cash flows from operating activities	13	488.1	348.0	355.9	248.4
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash paid for purchases of property, plant and equipment		(14.3)	(17.7)	(14.5)	(10.9)
Cash proceeds from sale of property, plant and equipment		1.1	0.6	0.8	0.5
Cash paid for purchases of investment property		(89.4)	(32.3)	-	-
Cash proceeds from sale of investment property		7.2	4.2	-	-
Cash paid for purchases of intangible software		(4.7)	(0.1)	(4.2)	-
Cash paid for purchases of equity investments		(3.0)	(5.8)	(191.0)	(13.3)
Cash proceeds from sale of equity investments		-	4.3	-	1.7
Net increase in balance of loans and other receivables outstanding		(2,841.3)	(1,240.1)	(3,408.4)	(57.1)
Net (increase)/decrease in balance of investment securities		(364.9)	243.3	(670.9)	(690.5)
Proceeds from return of capital		0.7	-	230.6	-
Net cash received on acquisition of a subsidiary		-	42.7	-	-
Proceeds from discontinued operations		-	-	-	5.5
Net cash flows used in investing activities		(3,308.6)	(1,000.9)	(4,057.6)	(764.1)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of ordinary shares		-	320.0	-	320.0
Acquisition of non-controlling interest		(166.6)	-	-	-
Net increase in balance of retail deposits		2,993.6	1,538.4	3,622.9	1,649.1
Net increase/(decrease) in balance of wholesale deposits		450.4	(52.1)	395.5	(44.8)
Proceeds from issue of subordinated debt		259.5	51.0	250.7	30.0
Repayment of subordinated debt		(217.7)	(237.0)	(160.2)	(237.0)
Dividends paid		(177.4)	(99.5)	(177.4)	(99.5)
Dividends paid to non controlling entity		(14.4)	(20.1)	-	-
Net decrease in balance of notes payable		(699.7)	(949.5)	(599.6)	(963.7)
Repayment of ESOP shares		3.1	5.0	3.1	5.0
Payment of share issue costs		-	(10.3)	-	(10.3)
Net cash flows from financing activities		2,430.8	545.9	3,335.0	648.8
Net decrease in cash and cash equivalents		(389.7)	(107.0)	(366.7)	133.1
Cash and cash equivalents at the beginning of period		844.7	951.7	699.7	566.6
Cash and cash equivalents at the end of period	14	455.0	844.7	333.0	699.7

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 2011 was authorised for issue in accordance with a resolution of the directors on 6 September 2011.

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 the Company 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 convention, 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 2011:

Reference	Title	Summary	Application date of standard*	Impact on group financial report	Application date for group*
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement* (AASB 139 *Financial Instruments: Recognition and Measurement*). These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below. (a) Financial assets are classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria. (b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.	1 January 2013	The group has not yet determined the extent of the impacts of the amendments, if any.	1 July 2013
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]	(a) These amendments arise from the issuance of AASB 9 *Financial Instruments* that sets out requirements for the classification and measurement of financial assets. The requirements in AASB 9 form part of the first phase of the International Accounting Standards Board's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. (b) This Standard shall be applied when AASB 9 is applied.	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 124 (Revised)	Related Party Disclosures (December 2009)	The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including: (a) The definition now identifies a subsidiary and an associate with the same investor as related parties of each other; (b) Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and (c) The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other. A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.	1 January 2011	The group has not yet determined the extent of the impacts of the amendments, if any.	1 July 2011
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. In particular, it amends AASB 8 *Operating Segments* to require an entity to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.	1 January 2011	The group has not yet determined the extent of the impacts of the amendments, if any.	1 July 2011
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

Reference	Title	Summary	Application date of standard*	Impact on group financial report	Application date for group*
AASB 1053	Application of Tiers of Australian Accounting Standards	This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements: (a) Tier 1: Australian Accounting Standards (b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements. The following entities apply Tier 1 requirements in preparing general purpose financial statements: (a) For-profit entities in the private sector that have public accountability (as defined in this Standard); and (b) The Australian Government and State, Territory and Local Governments. The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements: (a) For-profit private sector entities that do not have public accountability; (b) All not-for-profit private sector entities; and (c) Public sector entities other than the Australian Government and State, Territory and Local Governments.	1 July 2013	The group has not yet determined the extent of the impacts of the amendments, if any.	1 July 2013
AASB 1054	Australian Additional Disclosures	This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB. This standard relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas: (a) Compliance with Australian Accounting Standards; (b) The statutory basis or reporting framework for financial statements; (c) Whether the financial statements are general purpose or special purpose; (d) Audit fees; and (e) Imputation credits.	1 July 2011	The group has not yet determined the extent of the impacts of the amendments, if any.	1 July 2011
AASB 2010-2	Amendments to Australian Accounting Standards arising from reduced disclosure requirements	This Standard makes amendments to many Australian Accounting Standards, reducing the disclosure requirements for Tier 2 entities, identified in accordance with AASB 1053, preparing general purpose financial statements.	1 July 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 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. Clarifies 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
AASB 2010-5	Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB. These amendments have no major impact on the requirements of the amended pronouncements.	1 January 2011	The group has not yet determined the extent of the impacts of the amendments, if any.	1 July 2011
AASB 2010-6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]	The amendments increase the disclosure requirements for transactions involving transfers of financial assets. Disclosures require enhancements to the existing disclosures in IFRS 7 where an asset is transferred but is not derecognised and introduce new disclosures for assets that are derecognised but the entity continues to have a continuing exposure to the asset after the sale.	1 July 2011	The group has not yet determined the extent of the impacts of the amendments, if any.	1 July 2011
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023, & 1038 and interpretations 2, 5, 10, 12, 19 & 127]	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: (a) The change attributable to changes in credit risk are presented in other comprehensive income (OCI) (b) The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.	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 2010-8	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate SIC-21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* into AASB 112.	1 January 2012	The group has not yet determined the extent of the impacts of the amendments, if any.	1 July 2012
AASB 2011-1	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132, AASB 134, Interpretation 2, Interpretation 112, Interpretation 113]	This Standard makes amendments to many Australian Accounting Standards, removing the disclosures which have been relocated to AASB 1054.	1 July 2011	The group has not yet determined the extent of the impacts of the amendments, if any.	1 July 2011
AASB 2011-2	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project – Reduced disclosure regime [AASB 101, AASB 1054]	This Standard makes amendments to the application of the revised disclosures to Tier 2 entities, that are applying AASB 1053.	1 July 2013	The group has not yet determined the extent of the impacts of the amendments, if any.	1 July 2013
AASB 10	Consolidated Financial Statements	IFRS 10 establishes a new control model that applies to all entities. It replaces parts of IAS 27 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities.* The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. This is likely to lead to more entities being consolidated into the group.	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 11	Joint Arrangements	IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly- controlled Entities – Non-monetary Contributions by Ventures.* IFRS 11 uses the principle of control in IFRS 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. This may result in a change in the accounting for the joint arrangements held by the group.	1 January 2013	The group has not yet determined the extent of the impacts of the amendments, if any.	1 July 2013
AASB 12	Disclosure of Interests in Other Entities	IFRS 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	The group has not yet determined the extent of the impacts of the amendments, if any.	1 July 2013
AASB 13	Fair Value Measurement	IFRS 13 establishes a single source of guidance under IFRS for determining the fair value of assets and liabilities. IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under IFRS when fair value is required or permitted by IFRS. Application of this definition may result in different fair values being determined for the relevant assets. IFRS 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.	1 January 2013	The group has not yet determined the extent of the impacts of the amendments, if any.	1 July 2013

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

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 group 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 statements 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. 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 net assets 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 2010

AASB 2009-8 *Amendments to Australian Accounting Standards — Group Cash-settled Share-based Payment Transactions [AASB 2]*
AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]*
AASB 2009-10 *Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]*
AASB 2009-13 *Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1]*
AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project*

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 2009-8 *Amendments to Australian Accounting Standards — Group Cash — Settled Share-based Payment Transactions [AASB 2]*

The amendments clarify the scope of AASB 2 Share-based Payment 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. The amendments incorporate the requirements previously included in Interpretation 8 Scope of AASB 2 and Interpretation 11 AASB 2 — Group and Treasury Share Transactions. It does not have an impact on the financial position or performance of the group.

AASB 2009-13 *Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1]*

This amendment to AASB 1 allows a first-time adopter to apply the transitional provisions in Interpretation 19 as identified in AASB 1048. Interpretation 19 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. It does not have an impact on the financial position or performance of the group.

AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project*

The amendments limit the scope of the measurement choices of non-controlling interest (NCI) to instruments that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of NCI are measured at fair value. The amendment requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), in a consistent manner i.e., allocate between consideration and post-combination expenses. It also clarifies that contingent consideration from a business combination that occurred before the effective date of AASB 3 Revised is not restated and that the revised accounting for loss of significant influence or joint control (from the issue of IFRS 3 Revised) is only applicable prospectively. It does not have an impact on the financial position or performance of the group.

AASB 2009-10 *Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]*

The amendment provides relief to entities that issue rights in a currency other than their functional currency, from treating the rights as derivatives with fair value changes recorded in profit or loss. Such rights will now be classified as equity instruments when certain conditions are met.

Annual Improvements Project

In June 2010 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 5 *Non-current Assets Held for Sale and Discontinued Operations*: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in AASB 5. The disclosure requirements of other Accounting Standards only apply if specifically required for such non-current assets or discontinued operations.

- 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.

- AASB 107 *Statement of Cash Flows*: States that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities.

- AASB 136 *Impairment of Assets*: The amendment clarifies 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

Cash earnings

Cash earnings is considered by management as a key indicator representing the performance of the core business activities of the group. The basis for determining cash earnings is the statutory profit after tax, adjusted for non recurring items after tax, acquired intangibles amortisation after tax and preference share/step up preference share appropriations.

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.

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 reassesses the requirement to consolidate these SPEs in accordance with AASB 127 and judgment is exercised.

(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 26.

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 2.23 and Note 44.

Loan provisioning

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

2.7 Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

In relation to the parent entity's balance sheet, the comparative information with respect to shares in controlled entities has been adjusted to correctly reflect the transfer of business in a prior period. This has no impact on the income statement of the parent entity or the results of the consolidated entity.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 i.e. the date the group settles the purchase of the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place.

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

Treasury financial assets – held to maturity

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

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

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

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

Treasury financial liabilities – deposits and subordinated debt

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

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

For liabilities carried at amortised cost, gains and losses are recognised in 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets – available for sale share investments

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

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 group 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 i.e. 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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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	**2011**	**2010**
	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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 useful life intangibles, annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

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

Computer software

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

Research and development costs

Research costs are expensed as incurred.

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

2.19 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 group has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, and it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 group 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 (discontinued).

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 group 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 group.

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 group'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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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);
- after tax non-recurring income and expense items; and
- 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 chief operating decision maker 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 chief operating decision maker 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, wealth management and margin lending activities, less interest paid to depositors referred by our wealth partners. 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. 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. These rates are reset at the beginning of each reporting period and applied throughout that period. Management use these apportionments to assess relative performance between operating segments rather than absolute assessments of year on year performance.

Major customers

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

SEGMENT RESULTS (continued)

For the year ended 30 June 2011

	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	513.3	200.9	105.7	115.3	**935.2**	-	**935.2**
Other income	176.0	52.8	38.4	6.5	**273.7**	21.1	**294.8**
Share of net profit of equity accounted investments	-	-	-	-	**-**	3.4	**3.4**
Total segment income	689.3	253.7	144.1	121.8	**1,208.9**	24.5	**1,233.4**
Operating expenses	301.0	77.2	47.9	41.0	**467.1**	268.4	**735.5**
Credit expenses	11.8	0.9	0.5	31.0	**44.2**	-	**44.2**
Segment result	376.5	175.6	95.7	49.8	**697.6**	(243.9)	**453.7**

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	180.6	45.2	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	595.5	260.4	158.2	115.9	**1,130.0**	19.0	**1,149.0**
Operating expenses	294.9	70.2	42.7	37.7	**445.5**	251.4	**696.9**
Credit expenses	19.0	15.2	3.7	6.8	**44.7**	-	**44.7**
Segment result	281.6	175.0	111.8	71.4	**639.8**	(232.4)	**407.4**

	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 2011	23,364.9	15,728.3	3,314.0	3,960.3	**46,367.5**	8,565.1	**54,932.6**
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**
Reportable segment liabilities							
As at 30 June 2011	27,816.0	489.7	5,049.3	3,593.2	**36,948.2**	6,216.2	**43,164.4**
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**

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-11 Full year $m	Jun-10 Full year $m
Reconciliation of total segment income to group income		
Total segment income	**1,233.4**	1,149.0
Ineffectiveness in cash flow hedges	**2.6**	(33.9)
Profit on sale of other non-current assets	**-**	19.9
Total group income	**1,236.0**	1,135.0
Reconciliation of segment expenses to group total expenses		
Segment operating expenses	**735.5**	696.9
Non recurring expense items	**31.8**	42.7
Total group expenses	**767.3**	739.6
Reconciliation of segment credit expenses to bad and doubtful debts on loans and receivables		
Segment credit expenses	**44.2**	44.7
Bad and doubtful debts on loans and receivables	**44.2**	44.7
Reconciliation of segment result to group profit before tax		
Total segment result	**453.7**	407.4
Ineffectiveness in cash flow hedges	**2.6**	(33.9)
Profit on sale of other non-current assets	**-**	19.9
Non recurring expense items	**(31.8)**	(42.7)
Group profit before tax	**424.5**	350.7

	Consolidated As at Jun-11 $m	As at Jun-10 $m
Reportable segment assets		
Total assets for operating segments	**54,932.6**	52,141.1
Total assets	**54,932.6**	52,141.1
Reportable segment liabilities		
Total liabilities for operating segments	**43,164.4**	40,326.8
Securitisation funding	**7,808.1**	7,933.9
Total liabilities	**50,972.5**	48,260.7

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	
	2011	2010	2011	2010
	$m	$m	$m	$m
(a) Income:				
Interest income				
Controlled entities				
Cash and cash equivalents	-	-	0.1	0.2
Financial assets (treasury) held for trading, available for sale and held to maturity	-	-	409.1	387.0
Loans and other receivables	-	-	490.3	607.3
Other persons/entities				
Cash and cash equivalents	9.7	28.3	8.9	37.2
Financial assets (treasury) held for trading	209.7	155.7	210.3	155.8
Financial assets (treasury) available for sale	20.5	8.8	12.2	3.1
Financial assets (treasury) held to maturity	39.1	26.6	15.2	8.0
Loans and other receivables	3,102.2	2,492.8	1,339.1	834.0
Total interest income	3,381.2	2,712.2	2,485.2	2,032.6
Interest expense				
Controlled entities				
Wholesale - domestic	-	-	5.4	4.7
Other persons/entities				
Deposits				
Retail	1,690.8	1,213.2	1,486.6	1,087.3
Wholesale - domestic	175.8	199.3	165.9	195.2
Wholesale - offshore	9.5	25.0	9.5	25.1
Other borrowings				
Notes payable	525.3	383.7	49.1	17.8
Reset preference shares	5.5	5.4	5.5	5.4
Subordinated debt	39.1	31.0	30.8	25.6
Total interest expense	2,446.0	1,857.6	1,752.8	1,361.1
Total net interest income	935.2	854.6	732.4	671.5
Other revenue				
Dividends				
Controlled entities	-	-	44.7	103.6
Joint ventures	-	-	0.3	8.1
Other	7.1	6.2	1.2	0.1
Distribution from unit trusts	0.1	0.1	-	-
	7.2	6.3	46.2	111.8
Fees				
Assets	64.5	61.8	55.2	54.1
Liabilities & electronic delivery	93.3	93.4	92.7	92.8
Securitisation income	8.6	13.4	8.7	13.1
Trustee, management & other services	8.3	9.7	0.4	0.3
Trading profit - held for trading securities	2.1	4.1	2.1	4.1
Other	17.4	19.2	17.0	18.1
	194.2	201.6	176.1	182.5
Commissions				
Wealth solutions	27.0	25.4	0.9	0.8
Insurance	14.3	13.0	12.8	12.0
Other	1.9	2.5	3.6	3.2
	43.2	40.9	17.3	16.0
Other				
Income from property	1.8	1.4	5.1	2.5
Foreign exchange income	15.4	12.6	15.4	12.6
Factoring products income	11.6	11.3	11.6	11.3
Other	21.6	8.2	3.2	18.5
	50.4	33.5	35.3	44.9
Other income				
Ineffectiveness in cash flow hedges	2.6	(33.9)	(1.3)	(37.4)
Profit/(loss) on disposal of property, plant & equipment	(0.2)	(0.6)	(0.2)	(0.6)
Realised accounting gain on the sale of equity investments	-	19.9	-	0.3
	2.4	(14.6)	(1.5)	(37.7)

PROFIT (continued)

	Consolidated		Parent	
	2011	2010	2011	2010
	$m	$m	$m	$m
(b) Expenses				
Bad and doubtful debts				
Specific provision	48.4	46.3	18.4	36.2
Collective provision	(5.2)	(0.1)	(7.0)	(0.9)
Bad debts written off	5.3	4.7	5.1	4.7
Bad debts recovered	(4.3)	(6.2)	(4.2)	(6.0)
	44.2	44.7	12.3	34.0
Staff and related costs				
Salaries, wages and incentives	317.6	276.3	281.2	250.7
Superannuation contributions	26.5	23.4	23.3	21.2
Provision for annual leave	(0.3)	3.6	(0.1)	2.4
Provision for long service leave	2.0	3.0	2.2	2.0
Other provisions	0.7	0.1	0.7	0.1
Payroll tax	18.3	14.7	16.2	13.3
Fringe benefits tax	2.7	2.8	2.4	2.3
Executive equity transactions expense	0.7	4.3	0.7	4.3
Other	6.8	6.5	6.0	5.7
	375.0	334.7	332.6	302.0
Occupancy costs				
Operating lease rentals	35.0	33.9	34.9	33.7
Depreciation of buildings	0.4	-	-	-
Amortisation of leasehold improvements	5.7	5.0	5.6	4.9
Property rates and outgoings	3.6	2.9	3.6	2.9
Land tax	0.2	0.2	0.2	0.2
Repairs and maintenance	6.9	5.6	5.0	4.2
Utilities	3.8	3.7	3.8	3.6
Cleaning	3.8	3.1	3.8	3.1
Other	2.9	3.3	2.5	3.1
	62.3	57.7	59.4	55.7
Amortisation of intangibles				
Amortisation of intangible assets	28.1	29.9	20.5	23.5
Amortisation of intangible software	13.6	8.3	12.7	7.9
	41.7	38.2	33.2	31.4
Property, plant & equipment costs				
Depreciation of property, plant & equipment	11.5	13.4	11.0	12.4
Fees and commissions	39.0	37.9	20.9	19.8
Employee shares shortfall/(gain)	(1.4)	(2.6)	(1.4)	(2.6)
Property revaluation	-	10.2	-	-
Accounting loss on disposal of securitisation notes	14.7	-	14.7	-
Write-down of impaired intangible software	26.6	-	26.6	-
Recovery of GST payments	(15.3)	-	(15.3)	-
Integration costs	7.2	35.1	4.6	27.8
Other				
Administration expenses				
Communications, postage and stationery	32.9	32.1	30.3	30.2
Computer systems and software costs	57.5	58.1	51.3	53.6
Advertising & promotion	16.6	16.8	14.6	14.9
Other product & services delivery costs	36.6	38.8	36.5	36.8
Impairment loss - shares in controlled entities	-	-	1.8	2.5
Impairment loss - assets available for sale, equity investments	-	0.1	-	0.3
Consultancy expense	9.5	10.7	9.0	10.0
Legal expense	8.0	4.8	7.3	4.5
Travel expense	7.9	7.6	6.9	6.7
General administration expenses	33.7	43.8	57.4	37.4
Other	1.3	0.3	3.7	2.6
	204.0	213.1	218.8	199.5
Listing and rating agency costs	2.0	1.9	1.2	1.8
Total other	206.0	215.0	220.0	201.3

5. CASH EARNINGS

Cash earnings is used to represent the performance of the core business activities.

	Consolidated 2011 $m	Consolidated 2010 $m
Profit after income tax expense	342.1	242.6
Adjusted for		
Non recurring items after tax (1)	(16.9)	34.8
Amortisation of acquired intangibles after tax	19.7	20.9
Distributions paid on preference shares	(4.1)	(3.4)
Distributions paid on step-up preference shares	(4.6)	(3.9)
Cash basis earnings after tax	336.2	291.0

(1) Non recurring income and expense items after tax comprise:

	2011 $m	2010 $m
Income		
Ineffectiveness in cash flow hedges	(1.2)	24.7
Realised accounting gain on equity investments	-	(19.8)
Expense		
Shortfall/(Gain) relating to Employee Share Plan	(1.0)	(1.8)
Integration costs	5.7	24.5
Accounting loss on disposal of securitisation notes	10.3	-
GST refund on change to apportionment methodology	(10.7)	-
Write down of intangible software assets	17.9	-
Property revaluation decrement	-	7.2
Non-recurring tax benefits		
Acquisition tax benefit - Adelaide	(40.8)	-
Acquisition tax expense - Rural Bank	2.9	-
	(16.9)	34.8

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

6. INCOME TAX EXPENSE

Major components of income tax expense are:

	Consolidated		Parent	
	2011	**2010**	**2011**	**2010**
	$m	**$m**	**$m**	**$m**
Income statement				
Current income tax				
Current income tax charge	139.4	112.9	150.2	47.7
Acquisition income tax benefit	(27.1)	-	(28.6)	-
Imputation credits	(12.4)	(12.2)	(9.4)	(9.6)
Adjustments in respect of current income tax of previous years	(13.4)	(4.4)	(9.6)	17.9
Deferred income tax				
Acquisition income tax benefit	(11.1)	-	(12.2)	-
Adjustments in respect of deferred income tax of previous years	(1.3)	(0.3)	(4.6)	(10.6)
Relating to origination and reversal of temporary differences	3.8	(5.2)	(58.5)	17.7
Income tax expense reported in the income statement	77.9	90.8	27.3	63.1
Statement of changes in equity				
Deferred income tax related to items charged or credited directly in equity				
Net gain/(loss) on cash flow hedge	27.6	52.9	28.7	78.9
Net gain/(loss) on available-for-sale investments	3.5	9.6	0.1	(0.3)
Net gain on revaluation of land and buildings	-	1.7	-	-
Other	-	0.3	-	0.3
Income tax expense reported in equity	31.1	64.5	28.8	78.9
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	424.5	350.7	287.2	307.2
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	127.4	105.2	86.2	92.2
under/(over) provision in prior years	(14.7)	(4.7)	(14.2)	7.3
tax credits and adjustments	(12.4)	(12.2)	(9.4)	(9.6)
Expenditure not allowable for income tax purposes	7.6	5.4	12.9	4.7
Expenditure subject to research & development tax concessions	-	(5.0)	-	(5.0)
Other assessable income	6.5	-	-	-
Other non assessable income	(1.7)	(2.0)	(9.1)	(29.0)
Tax effect of tax credits and adjustments	3.7	3.7	2.8	2.9
Acquisition income tax benefit	(38.2)	-	(40.8)	-
Other	(0.3)	0.4	(1.1)	(0.4)
Income tax expense reported in the consolidated income statement	77.9	90.8	27.3	63.1

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

	Balance sheet			
	Consolidated		Parent	
	2011	**2010**	**2011**	**2010**
	$m	**$m**	**$m**	**$m**
Gross Deferred tax liabilities				
Available-for-sale financial assets	(29.0)	(19.8)	0.9	0.5
Deferred expenses	(1.8)	(23.0)	(2.0)	(23.0)
Derivatives	(2.8)	-	(12.7)	(39.6)
Intangible assets on acquisition	(44.9)	(52.2)	(30.0)	(42.5)
Lease receivable	(7.4)	(13.1)	(7.2)	(13.0)
Other	(36.4)	(12.6)	(20.0)	(12.3)
	(122.3)	(120.7)	(71.0)	(129.9)
	-			
Gross Deferred tax assets				
Derivatives	39.6	73.4	45.4	63.2
Employee entitlements	21.8	15.3	21.2	14.6
Intangible liabilities on acquisition	9.7	2.8	2.0	6.2
Losses available for offset against future taxable income	0.5	0.5	0.4	0.4
Prepaid income	17.5	33.0	1.1	1.3
Provisions	47.0	50.6	32.0	40.5
Other	44.1	25.4	32.0	20.3
	180.2	201.0	134.1	146.5

INCOME TAX EXPENSE (continued)

	Balance sheet			
	Consolidated		Parent	
	2011	2010	2011	2010
	$m	$m	$m	$m
Tax payable/(receivable) attributable to members of the tax consolidated group	68.6	59.9	68.6	59.9
Tax payable/(receivable) attributable to subsidiaries who are not members of the tax consolidated group	-	13.2	-	-
	68.6	73.1	68.6	59.9

At 30 June 2011, there is no unrecognised deferred income tax liability (2010: 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 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 AASB112 Income Taxes.

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 in the subsidiaries' equity accounts.

Tax consolidation outcomes

During the year, Bendigo and Adelaide Bank Ltd finalised further aspects of the tax consolidation process relating to the merger of Bendigo Bank Ltd and Adelaide Bank Ltd in 2007. These outcomes have resulted in a credit to income tax expense of $38.2m (2010: Nil).

On 30 March 2011, the Assistant Treasurer requested the Board of Taxation to undertake a review of certain aspects of the tax consolidations legislation which has the potential to impact on the tax consolidation outcomes recorded to date. The outcomes of this review remain outstanding.

Taxation of Financial Arrangements ("TOFA")

The new taxing regime for financial instruments (TOFA) began to apply to the Tax Consolidated Group on 1 July 2010. The regime aims to align the tax and accounting treatment of financial arrangements.

The Tax Consolidated Group made a transitional election to bring pre-existing arrangements into TOFA. The deferred tax in relation to the transitional adjustment that this created will be amortised over the next three years.

7. AVERAGE BALANCE SHEET AND RELATED INTEREST

For the twelve month period ended 30 June 2011

	Footnote	Average Balance $m	Interest 12 mths $m	Average Rate %
Average balances and rates	*1*			
Interest earning assets				
Cash and investments		5,835.5	279.0	4.78
Loans and other receivables - company		37,677.2	2,732.4	7.25
Loans and other receivables - community bank/alliances		7,178.4	454.9	6.34
Total interest earning assets	*2*	50,691.1	3,466.3	6.84
Non interest earning assets				
Provisions for doubtful debts		(126.7)		
Other assets		2,944.2		
		2,817.5		
Total assets (average balance)		53,508.6		
Interest bearing liabilities				
Deposits				
Retail - company		25,052.2	1,222.1	4.88
Retail - community bank/alliances		10,423.6	553.8	5.31
Wholesale - domestic		3,187.2	175.8	5.52
Wholesale - offshore		172.3	9.5	5.51
Notes payable		8,722.9	525.3	6.02
Reset preference shares		89.5	5.5	6.15
Subordinated debt		544.7	39.1	7.18
Total interest bearing liabilities	*2*	48,192.4	2,531.1	5.25
Non interest bearing liabilities and equity				
Other liabilities		1,411.7		
Equity		3,904.5		
		5,316.2		
Total liabilities and equity (average balance)		53,508.6		
Interest margin and interest spread				
Interest earning assets		50,691.1	3,466.3	6.84
Interest bearing liabilities		(48,192.4)	(2,531.1)	(5.25)
Net interest income and interest spread	*3*		935.2	1.59
Net free liabilities				0.25
Net interest margin	*4*			1.84
Impact of community bank/alliances profit share arrangements				
Net interest margin before community bank/alliances share of net interest income				2.17
Less impact of community bank/alliances share of net interest income				0.33
Net interest margin				1.84

1 Average balance is based on monthly closing balances from 30 June 2010 through 30 June 2011 inclusive.

2 Interest payments to alliance partners are net values in the Income Statement. Interest income and expense values have been increased by $85.1m 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 Net 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 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	2,269.2	6.45
Loans and other receivables - community bank/alliances		6,401.5	373.1	5.83
Total interest earning assets	2	47,433.0	2,861.7	6.03
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 - community bank/alliances		9,319.9	413.5	4.44
Wholesale - domestic		3,020.0	127.3	4.22
Wholesale - offshore		609.5	25.0	4.10
Notes payable		9,388.5	531.3	5.66
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	2,007.1	4.44
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	2,861.7	6.03
Interest bearing liabilities		(45,215.5)	(2,007.1)	(4.44)
Net interest income and interest spread	3		854.6	1.59
Net free liabilities				0.21
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 Net 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:

- Maintain a sufficient level of capital above the regulatory minimum to provide a buffer against loss arising from unanticipated events, and allow the group to continue as a going concern;
- Optimise the level and use of capital resources to enhance shareholder value through maximising financial performance;
- 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 Limited 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 group's capital management process, the board considers the group's strategy, financial performance objectives, credit ratings and other factors relating to the efficient management of capital in setting target ratios of capital above the regulatory required levels. These processes are formalised within the group's internal capital adequacy assessment process (or ICAAP).

The group 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 group has satisfied the minimum capital requirements at Levels 1 and 2 throughout the 2010/11 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 group's eligible capital must be held in the form of Tier 1 capital.

CAPITAL MANAGEMENT (continued)

b. Capital adequacy

	Consolidated	
	As at June 2011 $m	**As at June 2010 $m**
Risk weighted capital ratios		
Tier 1	7.85%	8.55%
Tier 2	2.74%	2.60%
Total capital ratio	10.59%	11.15%
Qualifying capital		
Tier 1		
Contributed capital	3,408.9	3,361.7
Retained profits & reserves	159.4	22.3
Minority interests	-	145.7
Innovative tier 1 capital	277.9	277.9
Less,		
Intangible assets, cash flow hedges and capitalised expenses	1,660.5	1,619.5
Net deferred tax assets	13.5	-
50/50 deductions	16.4	18.2
Other adjustments as per APRA advice	112.5	1.3
Total tier 1 capital	2,043.3	2,168.6
Tier 2		
General reserve for credit losses/collective provision (net of tax effect)	132.8	128.5
Subordinated debt	576.2	534.4
Asset revaluation reserves	23.0	13.2
	732.0	676.1
Less,		
50/50 deductions	16.4	18.1
Total tier 2 capital	715.6	658.0
Total qualifying capital	2,758.9	2,826.6
Total risk weighted assets	26,043.3	25,347.3

9. EARNINGS PER ORDINARY SHARE

	Consolidated 2011 Cents per share	Consolidated 2010 Cents per share
Basic earnings per ordinary share	91.5	67.4
Diluted earnings per ordinary share	86.4	62.9
Cash basis earnings per ordinary share	92.3	83.3

	$m	$m
Reconciliation of earnings used in the calculation of basic earnings per ordinary share		
Profit after tax	346.6	259.9
(Profit)/loss attributable to minority interests	(4.5)	(17.3)
Dividends paid on preference shares	(4.1)	(3.4)
Dividends paid/accrued on step up preference shares	(4.6)	(3.9)
	333.4	235.3
Reconciliation of earnings used in the calculation of diluted earnings per ordinary share		
Earnings used in calculating basic earnings per ordinary share	333.4	235.3
Add back dividends on dilutive preference shares	12.6	11.1
	346.0	246.4

	Consolidated 2011	Consolidated 2010
Reconciliation of earnings used in the calculation of cash basis earnings per ordinary share		
Earnings used in calculating basic earnings per ordinary share	333.4	235.3
After tax intangibles amortisation (excluding software amortisation)	19.7	20.9
After tax non recurring income and expense items (Note 5)	(16.9)	34.8
	336.2	291.0

	No. of shares	No. of shares
Weighted average number of ordinary shares used in basic and cash basis earnings per ordinary share	364,334,486	349,242,552
Effect of dilution - executive performance rights	1,052,826	1,538,688
Effect of dilution - preference shares	35,041,690	41,243,313
Weighted average number of ordinary shares used in diluted earnings per ordinary share	400,429,002	392,024,553

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 2011	Dilutive 2010
Preference shares	Yes	Yes
Step up preference shares	Yes	Yes
Reset preference shares	Yes	Yes
Executive share options	No	No
Executive performance rights	Yes	Yes

10. DIVIDENDS

	Consolidated		Parent	
	2011	**2010**	**2011**	**2010**
	$m	**$m**	**$m**	**$m**
Dividends paid or proposed				
Ordinary shares				
Dividends paid during the year				
current year				
Interim dividend (30.0 cents per share) (2010 - 28.0 cents per share)	107.0	97.5	107.0	97.5
previous year				
Final dividend (30.0 cents per share) (2010 - 15.0 cents per share)	105.7	44.0	105.7	44.0
	212.7	141.5	212.7	141.5
Dividends proposed since the reporting date, but not recognised as a liability				
Final dividend (30.0 cents per share) (2010: 30.0 cents per share)	107.7	106.1	107.7	106.1
Franked dividends per ordinary shares (cents per share)	60.0	58.0	60.0	58.0

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 2011.

Preference shares				
Dividends paid during the year				
113.07 cents per share paid on 15 September 2010 (2009: 84.60 cents)	1.0	0.7	1.0	0.7
110.91 cents per share paid on 15 December 2010 (2009: 86.47 cents)	1.0	0.8	1.0	0.8
114.00 cents per share paid on 15 March 2011 (2010: 99.25 cents)	1.1	0.9	1.1	0.9
112.39 cents per share paid on 15 June 2011 (2010: 104.63 cents)	1.0	1.0	1.0	1.0
	4.1	3.4	4.1	3.4
Step up preference shares				
Dividends paid during the year				
110.00 cents per share paid on 12 July 2010 (2009: 86.00 cents)	1.0	0.9	1.0	0.9
116.00 cents per share paid on 11 October 2010 (2009: 86.00 cents)	1.2	0.9	1.2	0.9
116.00 cents per share paid on 10 January 2011 (2010: 98.00 cents)	1.2	1.0	1.2	1.0
116.00 cents per share paid on 11 April 2011 (2010: 102.00 cents)	1.2	1.1	1.2	1.1
	4.6	3.9	4.6	3.9
Reset preference shares (recorded as debt instruments)				
Dividends paid during the year:				
310.53 cents per share paid on 1 November 2010 (2009: 310.53)	2.8	2.8	2.8	2.8
305.47 cents per share paid on 2 May 2011 (2010: 305.47)	2.7	2.7	2.7	2.7
	5.5	5.5	5.5	5.5

Dividend franking account		
Balance of franking account as at end of financial year	166.0	151.4
Franking credits that will arise from the payment of income tax provided for in the financial report	68.6	59.9
Franking credits that will arise from the receipt of dividends recognised as receivables as at end financial year	-	5.1
Impact of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution of equity holders during the period	(46.2)	(46.5)
	188.4	169.9

The tax rate at which dividends have been franked is 30% (2010: 30%).
Dividends proposed will be franked at the rate of 30% (2010: 30%).

Dividend paid

Dividends paid by cash or satisfied by the issue of shares under the dividend reinvestment plan during the year were as follows:

Paid in cash	191.8	119.6	177.4	99.5
Satisfied by issue of shares	44.0	49.4	44.0	49.4
	235.8	169.0	221.4	148.9

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 at a discount of 2.5%. Shares issued under this Plan rank equally with all other ordinary shares.

Bonus Share Scheme

The Bonus Share Scheme provides shareholders with the opportunity to elect to receive a number of bonus shares issued for no consideration instead of receiving a dividend. The issue price of the shares is equal to the volume weighted average price of Bendigo and Adelaide Bank shares traded on the Australian Securities Exchange over the ten trading days following the record date at a discount of 2.5%. 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 2011 final dividend was 2 September 2011.

11. RETURN ON AVERAGE ORDINARY EQUITY

	Consolidated	
	2011	**2010**
	%	**%**
Return on average ordinary equity	8.98	6.61
Pre-non recurring items return on average ordinary equity	8.52	7.59
Cash basis return on average ordinary equity	9.05	8.18
	$m	**$m**
Reconciliation of earnings used in the calculation of return on average ordinary equity		
Net profit for the year	346.6	259.9
(Profit)/loss attributable to minority interests	(4.5)	(17.3)
Dividends paid on preference shares	(4.1)	(3.4)
Dividends paid/accrued on step up preference shares	(4.6)	(3.9)
Earnings used in calculation of return on average ordinary equity	333.4	235.3
After tax non recurring income and expense items	(16.9)	34.8
Earnings used in calculation of pre-non recurring items return on average ordinary equity	316.5	270.1
After tax intangibles amortisation (excluding amortisation of intangible software)	19.7	20.9
Earnings used in calculation of cash basis return on average ordinary equity	336.2	291.0

Reconciliation of ordinary equity used in the calculation of return on average ordinary equity		
Total equity	3,960.1	3,880.4
Preference share net capital	(188.5)	(188.5)
Asset revaluation reserve - available for sale share investments	(34.5)	(27.5)
Unrealised gains/losses on cash flow hedge reserve	109.3	178.6
Non-controlling interest	-	(145.7)
Acquisitions reserve	20.4	-
Ordinary equity	3,866.8	3,697.3
Average ordinary equity	3,713.4	3,557.8

The above calculation uses a twelve month rolling basis of calculation.

12. NET TANGIBLE ASSETS PER ORDINARY SHARE

	Consolidated	
	2011	**2010**
	$	**$**
Net tangible assets per ordinary share	5.76	5.27
Reconciliation of net tangible assets used in calculation of net tangible assets per ordinary share	**$m**	**$m**
Net assets	3,960.1	3,880.4
Intangibles	(1,654.7)	(1,641.6)
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	2,115.4	1,903.1
Number of ordinary shares on issue at reporting date	367,104,585	361,366,745

13. CASH FLOW STATEMENT RECONCILIATION

	Consolidated		Parent	
	2011	**2010**	**2011**	**2010**
	$m	**$m**	**$m**	**$m**
Profit after tax	346.6	259.9	259.9	244.1
Non-cash items				
Doubtful debts expense	48.5	50.9	16.5	40.0
Amortisation	41.7	38.2	33.2	31.4
Depreciation	17.6	18.4	16.6	17.3
Revaluation (increments)/decrements	(0.6)	(0.2)	2.0	3.3
Equity settled transactions	4.5	7.8	4.5	7.8
Share of joint ventures' net profits	(3.4)	(12.7)	-	-
Dividends received/(accrued) from joint ventures	-	11.0	-	-
Profits on sale of investment securities	-	(19.9)	-	(0.3)
Ineffectiveness in cash flow hedges	(2.6)	33.9	1.3	37.4
Changes in assets and liabilities				
Increase/(decrease) in tax provision	(4.5)	157.5	8.7	144.3
Increase/(decrease) in deferred tax assets & liabilities	22.4	40.0	(46.5)	74.7
(Increase)/decrease in derivatives	(133.5)	(131.2)	20.7	(272.0)
(Increase)/decrease in accrued interest	24.1	(79.4)	34.9	(8.1)
Increase in accrued employees entitlements	5.1	17.9	7.5	13.7
Increase/(decrease) in other accruals, receivables and provisions	122.2	(44.1)	(3.4)	(85.2)
Net cash flows from/(used in) operating activities	488.1	348.0	355.9	248.4

Cash flows presented on a net basis

Cash flows arising from the following activities are presented on a net basis in the cash flow statement:
Loans and other receivables, investment securities, retail deposits and wholesale deposits.

14. CASH AND CASH EQUIVALENTS

	Consolidated		Parent	
	2011	2010	2011	2010
	$m	$m	$m	$m
Notes, coin and cash at bank	310.6	371.4	191.3	225.9
Investments at call	158.4	389.1	155.4	389.1
	469.0	760.5	346.7	615.0
Reconciliation of cash and cash equivalents				
For the purposes of the cash flow statement, cash and cash equivalents includes:				
Cash and cash equivalents	469.0	760.5	346.7	615.0
Due from other financial institutions	201.6	279.7	200.9	279.0
Due to other financial institutions	(215.6)	(195.5)	(214.6)	(194.3)
	455.0	844.7	333.0	699.7

15. FINANCIAL ASSETS HELD FOR TRADING

	Consolidated		Parent	
	2011	2010	2011	2010
	$m	$m	$m	$m
Bank discount securities	219.6	174.8	219.6	174.8
Other discount securities	2,629.8	2,369.3	2,630.8	2,370.4
Floating rate notes	834.0	841.6	834.0	841.6
Government securities	648.3	599.5	648.3	599.5
	4,331.7	3,985.2	4,332.7	3,986.3
Maturity analysis				
Not longer than 3 months	3,086.5	2,105.1	3,086.5	2,105.1
Longer than 3 and not longer than 12 months	469.1	1,274.2	469.1	1,274.2
Longer than 1 and not longer than 5 years	776.1	605.9	776.1	605.9
Over 5 years	-	-	1.0	1.1
	4,331.7	3,985.2	4,332.7	3,986.3

16. FINANCIAL ASSETS AVAILABLE FOR SALE – DEBT SECURITIES

	Consolidated		Parent	
	2011	2010	2011	2010
	$m	$m	$m	$m
Negotiable securities				
Negotiable certificates of deposit	122.3	130.2	-	-
Government securities	311.1	97.8	311.1	97.8
Bank accepted bills of exchange	-	4.9	-	-
Floating rate notes	18.7	28.6	18.9	28.6
Notes to securitisations	-	-	2,004.7	1,912.9
	452.1	261.5	2,334.7	2,039.3
Maturity analysis				
Not longer than 3 months	123.1	135.2	1,124.1	1,370.0
Longer than 3 and not longer than 12 months	79.9	16.8	79.9	16.8
Longer than 1 and not longer than 5 years	249.1	109.5	282.7	153.4
Over 5 years	-	-	848.0	499.1
	452.1	261.5	2,334.7	2,039.3
Recognised gains / (losses) before tax:				
Gain/(loss) recognised directly in equity	(0.3)	0.3	(0.1)	0.2
Amount removed from equity and recognised in profit/(loss)	-	-	-	-

17. FINANCIAL ASSETS AVAILABLE FOR SALE – EQUITY INVESTMENTS

	Consolidated		Parent	
	2011	**2010**	**2011**	**2010**
	$m	**$m**	**$m**	**$m**
Share investments at fair value				
Listed share investments	121.2	109.5	1.3	0.8
Unlisted share investments	2.2	2.2	2.2	2.2
	123.4	111.7	3.5	3.0

Fair value of share investments is determined as follows:

Listed shares - quoted market price at balance date.

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	11.7	31.6	0.4	(1.1)
Amount removed from equity and recognised in (profit)/loss	(1.0)	-	(1.0)	0.2

18. FINANCIAL ASSETS HELD TO MATURITY

	Consolidated		Parent	
	2011	**2010**	**2011**	**2010**
	$m	**$m**	**$m**	**$m**
Negotiable securities				
Bank accepted bills of exchange	6.0	-	-	-
Negotiable certificates of deposit	250.5	249.1	-	-
Other	116.3	198.7	68.4	96.1
	372.8	447.8	68.4	96.1
Non negotiable securities				
Deposits - banks	-	20.4	-	-
Deposits - other	6.2	13.3	-	-
Other	1.3	1.3	1.3	1.3
	7.5	35.0	1.3	1.3
	380.3	482.8	69.7	97.4
Maturity analysis				
Not longer than 3 months	302.0	316.8	52.7	10.0
Longer than 3 and not longer than 12 months	34.8	65.8	15.2	40.3
Longer than 1 and not longer than 5 years	35.5	98.4	-	45.3
Over 5 years	8.0	1.8	1.8	1.8
	380.3	482.8	69.7	97.4

19. LOANS AND OTHER RECEIVABLES

	Consolidated		Parent	
	2011	2010	2011	2010
	$m	$m	$m	$m
Loans and other receivables - investments	471.2	541.0	471.2	541.0
Overdrafts	4,156.8	3,498.5	4,154.7	3,497.0
Credit cards	230.3	213.2	230.3	213.2
Term loans	37,803.1	35,068.3	34,359.6	31,360.0
Margin lending	3,202.2	3,627.0	-	-
Lease receivables	485.0	575.5	481.5	572.1
Factoring receivables	49.7	48.5	49.7	48.5
Other	93.6	127.3	75.7	100.8
Gross loans and other receivables	46,020.7	43,158.3	39,351.5	35,791.6
Specific provision for impairment (Note 20)	(91.4)	(79.1)	(47.3)	(51.7)
Collective provision for impairment (Note 20)	(41.9)	(47.1)	(36.1)	(43.1)
Unearned income	(92.0)	(95.5)	(65.0)	(79.5)
	(225.3)	(221.7)	(148.4)	(174.3)
Deferred Costs	71.3	44.2	52.3	19.3
Net loans and other receivables	45,866.7	42,980.8	39,255.4	35,636.6
Impaired loans				
Loans - without provisions	88.5	83.5	46.2	64.3
- with provisions	237.9	174.0	87.1	99.8
Restructured Loans	32.3	24.7	32.3	24.7
less specific impairment provisions	(90.6)	(78.3)	(46.4)	(50.9)
Net impaired loans	268.1	203.9	119.2	137.9
Net impaired loans % of loans and other receivables	0.58%	0.47%	0.30%	0.39%
Portfolios facilities - past due 90 days, not well secured	4.1	15.3	4.1	4.3
less impairment provisions	(0.8)	(0.8)	(0.8)	(0.9)
Net portfolio facilities	3.3	14.5	3.3	3.4
Loans past due 90 days				
Accruing loans past due 90 days, with adequate security balance	729.2	546.8	631.2	477.7
Net fair value of properties acquired through the enforcement of security	66.2	89.3	62.5	89.0
Interest income recognised				
Interest income recognised in respect of impaired loans	2.1	1.3	1.2	0.7
Interest income forgone in respect of impaired loans	11.5	16.4	2.8	2.0

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	8,568.5	8,374.4	4,872.5	3,990.2
Not longer than 3 months	923.8	666.2	602.9	659.9
Longer than 3 and not longer than 12 months	1,545.2	1,558.8	1,182.0	960.6
Longer than 1 and not longer than 5 years	6,400.2	6,842.8	4,442.5	4,821.2
Longer than 5 years	29,054.2	26,257.1	28,722.8	25,900.7
	46,491.9	43,699.3	39,822.7	36,332.6

1 Balances exclude specific and general provisions for doubtful debts and unearned revenue, and are categorised by the contracted maturity date of each loan facility.

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 Trusts 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 Trusts, 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 $13,366.2 million (2010: $11,918.7 million) are reported in loans and receivables of the parent entity.

Investors in the Trusts 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	
	2011	2010	2011	2010
	$m	$m	$m	$m
Specific provision for impairment				
Opening balance	79.1	67.7	51.7	58.6
Provision acquired in business combination	-	10.3	-	-
Charged to income statement	48.4	46.3	18.4	36.2
Impaired debts written-off applied to specific impairment provision	(36.1)	(45.2)	(22.8)	(43.1)
Closing balance	91.4	79.1	47.3	51.7
Collective provision for impairment				
Opening balance	47.1	44.3	43.1	44.0
Provision acquired in business combination	-	2.9	-	-
Charged to income statement	(5.2)	(0.1)	(7.0)	(0.9)
Closing balance	41.9	47.1	36.1	43.1
General reserve for credit losses				
Opening balance	104.7	86.1	86.2	86.1
Charged to equity	6.2	18.6	6.2	0.1
Closing balance	110.9	104.7	92.4	86.2
Bad and doubtful debts expense				
Specific provisions for impairment	48.4	46.3	18.4	36.2
Collective provision	(5.2)	(0.1)	(7.0)	(0.9)
Bad debts written off	5.3	4.7	5.1	4.7
Bad debts recovered	(4.3)	(6.2)	(4.2)	(6.0)
	44.2	44.7	12.3	34.0
Ratios				
Specific provision as % of gross loans less unearned income	0.20%	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

Name	Principal Activities
Chief entity	
Bendigo and Adelaide Bank Limited	Banking
Directly Controlled Operating Entities [(1)] [(2)]	
AB Management Pty Ltd	Securitisation Manager
ABL Custodian Services Pty Ltd	Security Trustee
ABL NIM Pty Ltd	Trust Manager
ABL Nominees Pty Ltd	Trustee company
Adelaide Managed Funds Ltd	Responsible Entity for listed trusts
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
Adelaide Equity Finance Pty Ltd	Margin Lending
Leveraged Equities 2009 Trust	Securitisation
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	Homesafe product financier
National Mortgage Market Corporation Pty Ltd	Mortgage origination & management
Rural Bank Limited	Banking
Sandhurst Trustees Ltd	Trustee company
Victorian Securities Corporation Ltd	Financial services
Pirie Street Nominees Pty Ltd	Financial services
Securitisation	
AIL Trust No 1	Securitisation
Torrens Series 2007-1 Trust	Securitisation
ABL Portfolio Funding Trust 2007-1	Securitisation
Torrens Series 2006-1(E) Trust	Securitisation
Torrens Series 2005-1 Trust	Securitisation
Torrens Series 2008-1 Trust	Securitisation
Torrens Series 2004-1 Trust	Securitisation
Torrens Series 2005-3 (E) Trust	Securitisation
Torrens Series 2005-1 (AAA) Trust	Securitisation
Lighthouse Warehouse Trust No 2	Securitisation
Lighthouse Warehouse Trust No 1	Securitisation
Lighthouse Warehouse Trust No 14	Securitisation
Series 2004-2 (W) Torrens Trust	Securitisation
Series 2005-2(S) Torrens Trust	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
Torrens Series 2010-2 Trust	Securitisation
Torrens Series 2010-3 Trust	Securitisation
Span Lighthouse Warehouse Trust 2	Securitisation

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

2 All entities are 100% owned and incorporated in Australia.

22. INVESTMENTS IN JOINT VENTURES USING THE EQUITY METHOD

Name	Ownership interest held by consolidated entity 2011 %	2010 %	Balance date
Rural Bank Ltd [(1)]	100.0	60.0	30 June
Tasmanian Banking Services Ltd [(2)]	100.0	100.0	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	47.5	31 December
Linear Financial Holdings Pty Ltd	24.3	-	30 June

(i) Principal activities of joint venture companies

[(1)] Rural Bank Ltd - financial services (wholly-owned subsidiary, effective December 2010)
[(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
Linear Financial Holdings Pty Ltd - asset management services (acquired September 2010)

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	2011 $m	2010 $m
Share of joint ventures':		
- revenue	15.0	29.2
- expense	11.6	16.5
- profit before income tax	3.4	12.7
- income tax expense	0.2	3.8
- profit after income tax	3.2	8.9

	2011 $m	2010 $m
Share of joint ventures' operating profits after income tax:		
- Rural Bank Ltd [(1)]	-	8.1
- Tasmanian Banking Services Ltd [(2)]	-	0.1
- Community Sector Enterprises Pty Ltd	0.3	0.3
- Homesafe Solutions Pty Ltd	0.9	(0.1)
- Silver Body Corporate Financial Services Pty Ltd	0.2	0.2
- Community Telco Australia Pty Ltd	-	(0.5)
- Strategic Payments Services Pty Ltd	2.2	0.8
- Linear Financial Holdings Pty Ltd	(0.4)	-
	3.2	8.9

[(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)

	2011 $m	2010 $m
(iii) Carrying amount of investments in joint ventures		
Balance at the beginning of financial year	7.2	225.9
- carrying amount of investment in joint ventures acquired during the year	2.3	5.7
- dividends received from joint ventures	(0.2)	(8.1)
- share of joint ventures' net profits for the financial year	3.2	8.9
- share of joint ventures' movements in reserves for the financial year	-	5.1
- derecognition of joint ventures upon acquisition	-	(230.3)
Carrying amount of investments in joint ventures at the end of the financial year	12.5	7.2
Represented by:		
Investments at equity accounted amount:		
- Community Sector Enterprises Pty Ltd	0.8	0.5
- Silver Body Corporate Financial Services Pty Ltd	0.5	0.6
- Strategic Payment Services Pty Ltd	8.5	6.1
- Homesafe Solutions Pty Ltd	0.2	-
- Linear Financial Holdings Pty Ltd	2.5	-
	12.5	7.2

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

	2011 $m	2010 $m
Unrecognised losses relating to joint ventures	0.8	0.5
(iv) The consolidated entity's share of the assets and liabilities of joint venture in aggregate		
Assets	11.1	7.8
Liabilities	6.8	6.1
Net Assets	4.3	1.7
(v) Amount of retained profits of the consolidated entity attributable to joint ventures	62.9	59.9

Subsequent events affecting a joint ventures' profits/losses for the ensuing year (if any) are disclosed in the Events after Balance Sheet Date note 47.

The consolidated entity's share of joint ventures' commitments and contingent liabilities (if any) are disclosed in the Commitments and Contingencies note 44.

23. PROPERTY, PLANT AND EQUIPMENT

	Consolidated		Parent	
	2011	2010	2011	2010
	$m	$m	$m	$m
(a) Carrying Value				
Property				
Freehold land - at fair value [1]	16.6	16.6	0.3	6.5
	16.6	16.6	0.3	6.5
Freehold buildings - at fair value [1]	15.4	15.4	0.2	10.7
Accumulated depreciation	(0.5)	(0.1)	-	(0.4)
	14.9	15.3	0.2	10.3
Leasehold improvements - at cost	70.4	65.7	69.0	63.3
Accumulated depreciation	(30.8)	(27.2)	(30.6)	(26.1)
	39.6	38.5	38.4	37.2
	71.1	70.4	38.9	54.0
Other				
Plant, furniture, fittings, office equipment & vehicles - at cost	170.3	174.2	167.3	169.6
Accumulated depreciation	(141.5)	(141.0)	(139.5)	(138.2)
	28.8	33.2	27.8	31.4
	99.9	103.6	66.7	85.4
(b) Reconciliations				
Freehold land [1]				
Carrying amount at beginning of financial year	16.6	16.8	6.5	6.5
Additions	-	1.8	-	-
Revaluations	-	(2.0)	-	-
Transfer to subsidiary	-	-	(6.2)	-
	16.6	16.6	0.3	6.5
Freehold buildings [1]				
Carrying amount at beginning of financial year	15.3	21.2	10.3	10.6
Revaluations	-	(5.1)	-	-
Depreciation expense	(0.4)	(0.8)	-	(0.3)
Transfer to subsidiary	-	-	(10.1)	-
	14.9	15.3	0.2	10.3
Leasehold improvements - at cost				
Carrying amount at beginning of financial year	38.5	39.8	37.2	39.8
Additions	6.9	3.6	6.9	2.7
Additions through acquisition of entities	-	0.5	-	-
Disposals	(0.1)	-	(0.1)	-
Depreciation expense	(5.7)	(5.4)	(5.6)	(5.3)
	39.6	38.5	38.4	37.2
Plant, furniture, fittings, office equipment & vehicles				
Carrying amount at beginning of financial year	33.2	38.1	31.4	36.9
Additions	7.4	8.0	7.6	7.3
Additions through acquisition of entities	-	0.6	-	-
Disposals	(1.0)	(1.2)	(0.9)	(1.1)
Depreciation expense	(11.5)	(12.3)	(11.0)	(11.7)
Transfer to assets	0.7	-	0.7	-
	28.8	33.2	27.8	31.4

[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	17.9	0.1	0.1
Buildings	21.8	21.8	0.1	0.1
Accumulated depreciation and impairment	(2.2)	(1.7)	(0.1)	-
Net carrying amount	37.5	38.0	0.1	0.2

24. INVESTMENT PROPERTY

	Consolidated		Parent	
	2011	2010	2011	2010
	$m	$m	$m	$m
Carrying amount at beginning of financial year	158.9	115.6	-	-
Additions	83.0	33.0	-	-
Net gain from fair value adjustments	21.1	10.3	-	-
	263.0	158.9	-	-

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

As the asset represents residential properties, acquired under the Homesafe Equity Release product and is subject to restricted trading rights over the life of the agreements with individual customers. The realisability of the properties and the remittance of income and proceeds of disposal can be impacted by the real estate market conditions, particularly Melbourne and Sydney. The fair value represents the amounts at which the assets could be sold in an arm's length transaction at the date of valuation including allowance for the restrictions applicable to these assets, and is determined by reference to property market index rates.

25. INTANGIBLE ASSETS AND GOODWILL

	Consolidated		Parent	
	2011	2010	2011	2010
	$m	$m	$m	$m
(a) Carrying value				
Intangible assets				
Customer list - at cost	3.6	4.7	-	0.1
Accumulated amortisation	(3.6)	(4.7)	-	(0.1)
	-	-	-	-
Computer software - at cost	114.8	61.1	103.6	50.4
Accumulated amortisation and impairment	(49.2)	(36.0)	(39.4)	(27.1)
	65.6	25.1	64.2	23.3
Trustee licence - at cost	8.4	8.4	-	-
	8.4	8.4	-	-
Computer Software (Adelaide) - at fair value	1.3	1.3	1.3	1.3
Accumulated amortisation	(1.3)	(1.2)	(1.3)	(1.2)
	-	0.1	-	0.1
Trade Name - at fair value	28.4	27.6	25.5	24.7
Accumulated amortisation	(16.0)	(11.3)	(15.4)	(11.0)
	12.4	16.3	10.1	13.7
Customer Relationship - at fair value	72.0	72.0	29.3	29.3
Accumulated amortisation	(22.1)	(13.5)	(12.8)	(9.2)
	49.9	58.5	16.5	20.1
Management rights - at fair value	15.3	15.3	15.3	15.3
Accumulated amortisation	(3.6)	(2.6)	(3.6)	(2.6)
	11.7	12.7	11.7	12.7
Core Deposits - at fair value	116.3	116.3	98.7	98.7
Accumulated amortisation	(55.7)	(41.9)	(51.6)	(40.1)
	60.6	74.4	47.1	58.6
Goodwill				
Purchased goodwill	1,448.6	1,448.6	1,369.5	1,353.1
Accumulated impairment	(2.5)	(2.5)	-	-
	1,446.1	1,446.1	1,369.5	1,353.1
Total intangible assets and goodwill	1,654.7	1,641.6	1,519.1	1,481.6

INTANGIBLE ASSETS AND GOODWILL (continued)

	Consolidated		Parent	
	2011	2010	2011	2010
	$m	$m	$m	$m
(b) Reconciliations				
Intangible assets				
Customer list				
Carrying amount at beginning of financial year	-	0.2	-	0.1
Amortisation charge	-	(0.2)	-	(0.1)
	-	-	-	-
Computer software				
Carrying amount at beginning of financial year	25.1	28.7	23.3	28.7
Addition acquired through business combination	-	1.9	-	-
Additions	81.3	3.1	80.8	2.9
Disposals	-	(0.4)	-	(0.4)
Transfers	(0.7)	-	(0.7)	-
Impairment write down	(26.6)	-	(26.6)	-
Amortisation charge	(13.5)	(8.2)	(12.6)	(7.9)
	65.6	25.1	64.2	23.3
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	0.1	0.5	0.1	0.5
Amortisation Charge	(0.1)	(0.4)	(0.1)	(0.4)
	-	0.1	-	0.1
Trade Name				
Carrying amount at beginning of financial year	16.3	18.0	13.7	18.0
Addition acquired through business combination	-	2.9	-	-
Additional acquired trade name	0.8	-	0.8	-
Amortisation Charge	(4.7)	(4.6)	(4.4)	(4.3)
	12.4	16.3	10.1	13.7
Customer Relationship				
Carrying amount at beginning of financial year	58.5	23.6	20.1	23.6
Addition acquired through business combination	-	42.7	-	-
Amortisation Charge	(8.6)	(7.8)	(3.6)	(3.5)
	49.9	58.5	16.5	20.1
Management Rights				
Carrying amount at beginning of financial year	12.7	13.7	12.7	13.7
Amortisation Charge	(1.0)	(1.0)	(1.0)	(1.0)
	11.7	12.7	11.7	12.7
Core Deposits				
Carrying amount at beginning of financial year	74.4	72.8	58.6	72.8
Addition acquired through business combination	-	17.6	-	-
Amortisation Charge	(13.8)	(16.0)	(11.5)	(14.2)
	60.6	74.4	47.1	58.6
Goodwill				
Purchased goodwill				
Carrying amount at beginning of financial year	1,446.1	1,433.0	1,353.1	1,319.3
Additions/transfer from goodwill on consolidation	-	18.1	-	33.8
Addition acquired through business combination/(purchase price adjustment)	-	16.8	-	-
Transfer to subsidiary	-	(8.1)	16.4	-
Write back of goodwill on business deregistration	-	(13.7)	-	-
	1,446.1	1,446.1	1,369.5	1,353.1
Total intangible assets and goodwill	1,654.7	1,641.6	1,519.1	1,481.6

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).

The carrying value of internally developed software is tested annually for impairment, using estimates of future cash flows over the assets remaining useful life. During the year, the observed net cash flows associated with use of internally developed customer information systems indicated impairment of the invested carrying value. A write down of $26.6m was required to ensure this software is carried at fair value, based on management forecasts of future cash flows, a discount rate of 11.7% and a 7 year remaining useful life.

INTANGIBLE ASSETS AND GOODWILL (continued)

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 is 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.

26. 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.

(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 2011/2012 (adjusted for non-recurring items) by 12. The multiple of 12 is considered appropriate for each of the group's identified CGU's.

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

(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 11.74%. 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. 11.74% minus long term growth rate i.e. 3%). Long term growth rates of 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 2011/12 year and is based on the financial forecast approved by the board:

	Profit Growth Rate				Long term growth rate
CGU	**2012/13**	**2013/14**	**2014/15**	**2015/16**	
Wealth	5.0%	5.0%	5.0%	5.0%	3.0%

The 2011/12 forecasted after tax cash flows are based on the financial forecast 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 or value in use tests results, no impairment loss is required to be made for any of the CGU's as at 30 June 2011.

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	Carrying amount of intangibles	Sensitivity before impairment becomes evident for the test applied		
		$m	$m	Fair value	Value in use	
				Earnings multiple	Profit growth	Discount rate
Retail	Fair value	649.0	38.2	Lower by 2	Lower by 11.8%	15.8%
Third Party	Fair value	455.8	79.2	Lower by 3	Lower by 14.1%	16.7%
Wealth	Value in use	324.5	47.8	Not applicable [1]	Lower by 0.8%	12.0%
Rural Bank	Fair value	16.8	43.4	Lower by 2	Lower by 6.8%	14.0%
	Total	**1,446.1**	**208.6**			

[1] The value in use test has been applied to the Wealth CGU.

27. OTHER ASSETS

	Consolidated		Parent	
	2011	2010	2011	2010
	$m	$m	$m	$m
Shares in joint ventures [(1)]	-	-	14.9	15.6
Accrued income	15.8	14.1	12.5	22.6
Prepayments	17.1	21.7	13.7	15.3
Sundry debtors	151.4	391.5	602.7	266.7
Accrued interest	232.7	190.9	184.5	140.6
	417.0	618.2	828.3	460.8

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.

28. DEPOSITS

	Consolidated		Parent	
	2011	2010	2011	2010
	$m	$m	$m	$m
Retail				
Bendigo Adelaide - company owned	19,440.0	18,232.5	19,828.0	18,184.8
Bendigo Adelaide - community bank/alliances	10,427.9	9,310.1	10,427.9	9,310.1
Rural Bank	2,349.0	2,415.2	-	-
Treasury sourced	4,474.0	3,740.4	3,566.8	2,704.9
	36,690.9	33,698.2	33,822.7	30,199.8
Wholesale				
Domestic	3,669.2	3,139.7	3,542.1	3,066.1
Offshore	161.2	238.3	161.2	238.3
	3,830.4	3,378.0	3,703.3	3,304.4
	40,521.3	37,076.2	37,526.0	33,504.2
Deposits by geographic location				
Victoria	17,929.5	15,907.6	17,285.7	15,178.9
New South Wales	9,182.8	7,696.4	8,095.1	6,670.0
Australian Capital Territory	603.9	561.2	527.9	457.8
Queensland	4,387.9	4,476.1	3,895.3	3,980.5
South Australia/Northern Territory	4,582.7	4,845.7	4,408.5	4,169.4
Western Australia	2,453.7	2,373.9	2,017.5	1,911.5
Tasmania	794.3	737.1	716.4	663.6
Overseas	586.5	478.2	579.6	472.5
	40,521.3	37,076.2	37,526.0	33,504.2
NOTES PAYABLE	8,381.8	9,059.8	576.9	1,156.4

29. OTHER PAYABLES

	Consolidated		Parent	
	2011	2010	2011	2010
	$m	$m	$m	$m
Sundry creditors	21.0	6.4	176.6	145.9
Accrued expenses and outstanding claims	305.9	341.4	301.7	369.0
Accrued interest	389.3	339.9	352.4	305.9
Prepaid interest	65.0	72.6	-	-
	781.2	760.3	830.7	820.8

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.

30. PROVISIONS

	Consolidated		Parent	
	2011	2010	2011	2010
	$m	$m	$m	$m
(a) Balances				
Employee benefits (Note 36)	71.3	66.2	69.5	62.0
Employee shares shortfall (1)	3.2	4.8	3.2	4.8
Rewards program (2)	3.9	3.8	3.9	3.8
Property Rent (3)	1.8	2.0	1.8	2.0
Dividends (4)	1.2	9.2	1.2	1.2
Uninsured Losses (5)	3.1	3.1	2.9	3.1
	84.5	89.1	82.5	76.9

(1) The provision for employee shares shortfall is in relation to possible losses associated with employee loans under 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.

(2) The 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.

(3) The 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.

(4) The 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.

(5) The provision for uninsured losses represents the expected loss in relation to fraud not covered under insurance contracts.

	Consolidated		Parent	
	2011	2010	2011	2010
(b) Movements	$m	$m	$m	$m
Employee benefits				
Opening balance	66.2	48.3	62.0	48.3
Provision acquired in business combination	-	4.6	-	-
Additional provisions recognised	41.9	41.6	40.5	38.8
Decrease due to change in discount rate	0.1	(0.2)	0.1	(0.2)
Amounts utilised during the year	(36.9)	(28.1)	(33.1)	(24.9)
Closing balance	71.3	66.2	69.5	62.0
Employee shares shortfall				
Opening balance	4.8	8.1	4.8	8.1
Release of provision	(1.4)	(2.6)	(1.4)	(2.6)
Amounts utilised during the year	(0.2)	(0.7)	(0.2)	(0.7)
Closing balance	3.2	4.8	3.2	4.8
Rewards program				
Opening balance	3.8	3.3	3.8	3.3
Additional provisions recognised	2.3	2.2	2.3	2.2
Amounts utilised during the year	(2.2)	(1.7)	(2.2)	(1.7)
Closing balance	3.9	3.8	3.9	3.8
Property Rent				
Opening balance	2.0	2.1	2.0	2.1
Amounts utilised during the year	(0.2)	(0.1)	(0.2)	(0.1)
Closing balance	1.8	2.0	1.8	2.0
Dividends				
Opening balance	9.2	0.9	1.2	0.9
Provision acquired in business combination	-	10.2	-	-
Additional dividends provided	227.8	167.1	221.4	149.2
Dividends paid during the year	(235.8)	(169.0)	(221.4)	(148.9)
Closing balance	1.2	9.2	1.2	1.2
Uninsured Losses				
Opening balance	3.1	-	3.1	-
Additional provisions recognised	0.3	3.1	-	3.1
Amounts utilised during the year	(0.3)	-	(0.2)	-
Closing balance	3.1	3.1	2.9	3.1

31. RESET PREFERENCE SHARES

	Consolidated		Parent	
	2011	2010	2011	2010
	$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 the Company. 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.

32. SUBORDINATED DEBT

	Consolidated		Parent	
	2011	2010	2011	2010
	$m	$m	$m	$m
Subordinated capital notes	575.7	532.9	484.9	393.7
Maturity analysis				
Not longer than 3 months	-	96.1	-	65.3
Longer than 3 and not longer than 12 months	124.8	81.9	109.8	54.7
Longer than 1 and not longer than 5 years	155.1	269.9	89.3	198.7
Over 5 years	295.8	85.0	285.8	75.0
	575.7	532.9	484.9	393.7

33. ISSUED CAPITAL

	Consolidated		Parent	
	2011	2010	2011	2010
	$m	$m	$m	$m
Issued and paid up capital				
Ordinary shares fully paid - 367,104,585 (2010: 361,366,745)	3,408.9	3,361.7	3,408.9	3,361.7
Preference shares of $100 face value fully paid - 900,000 (2010: 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 (2010: 1,000,000)	100.0	100.0	100.0	100.0
Employee share ownership plan shares	(24.6)	(27.7)	(24.6)	(27.7)
	3,572.8	3,522.5	3,572.8	3,522.5

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	
	2011	2010	2011	2010
	$m	$m	$m	$m
Movement in ordinary shares on issue				
Opening balance 1 July - 361,366,745 (2010: 308,243,636)	3,361.7	3,003.9	3,361.7	3,003.9
Shares issued under:				
Bonus share scheme - 301,032 @ $9.19; 266,541 @ $8.95 (2010: 304,421 @ $7.95; 256,532 @ $9.59)	-	-	-	-
Dividend reinvestment plan - 2,713,513 @ $9.19; 2,129,521 @ $8.95 (2010: 1,607,958 @ $7.95; 3,818,849 @ $9.59)	44.0	49.4	44.0	49.4
Issue to Tasmanian Banking Services Limited shareholders - nil (2010: 781,910 @ $6.39)	-	5.0	-	5.0
Institutional placement and entitlement offer - nil (2010: 26,618,172 @ $6.75)	-	179.7	-	179.7
Retail entitlement offer - Nil (2010: 17,854,868 @ $6.75)	-	120.5	-	120.5
Employee share plan - 327,233 @ $9.78 (2010: 340,039 @ $10.03)	3.2	3.4	3.2	3.4
Executive performance share plan - Nil (2010: 1,540,360 @ $6.56)	-	10.1	-	10.1
Share issue costs	-	(10.3)	-	(10.3)
Closing balance 30 June - 367,104,585 (2010: 361,366,745)	3,408.9	3,361.7	3,408.9	3,361.7
Movements in preference shares on issue				
Opening balance 1 July - 900,000 fully paid (2010: 900,000 fully paid)	88.5	88.5	88.5	88.5
Closing balance 30 June - 900,000 fully paid to $100 (2010: 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 (2010: 1,000,000)	100.0	100.0	100.0	100.0
Closing balance 30 June - 1,000,000 fully paid to $100 (2010: 1,000,000)	100.0	100.0	100.0	100.0
Movements in Employee share ownership plan shares				
Opening balance 1 July	(27.7)	(32.7)	(27.7)	(32.7)
Reduction in Employee share ownership plan shares	3.1	5.0	3.1	5.0
Closing balance 30 June	(24.6)	(27.7)	(24.6)	(27.7)
Total issued and paid up capital	3,572.8	3,522.5	3,572.8	3,522.5

34. RETAINED EARNINGS AND RESERVES

	Consolidated		Parent	
RETAINED EARNINGS	**2011**	**2010**	**2011**	**2010**
	$m	**$m**	**$m**	**$m**
Movements				
Opening balance 1 July	234.5	144.3	186.7	143.4
Profit for the year	342.1	242.6	259.9	244.1
Transfer from asset revaluation reserve	0.2	1.5	0.2	-
Movements in general reserve for credit losses	(6.2)	(18.6)	(6.2)	(0.1)
Dividends	(221.4)	(148.9)	(221.4)	(148.8)
Establishment of Rural Bank GRCL on acquisition	-	11.1	-	-
Defined benefits actuarial adjustment	0.3	2.8	0.3	2.8
Tax effect of defined benefits actuarial adjustment	-	(0.3)	-	(0.3)
Transfer of business - Adelaide Bank	-	-	-	(54.4)
Balance 30 June	349.5	234.5	219.6	186.7

	Consolidated		Parent	
OTHER RESERVES	**2011**	**2010**	**2011**	**2010**
(a) Balances				
Employee benefits reserve	18.7	20.3	18.0	17.5
Asset revaluation reserve - property	3.4	3.6	0.1	0.3
Asset revaluation reserve - available for sale share investments	34.5	27.5	1.0	1.7
Asset revaluation reserve - available for sale debt securities	-	0.3	0.1	0.2
Cash flow hedge reserve	(109.3)	(178.7)	(68.0)	(140.0)
Cash flow hedge reserve - joint ventures	-	-	-	-
General reserve for credit losses	110.9	104.7	92.4	86.2
General reserve for credit losses - joint ventures	-	-	-	-
Acquisitions Reserve	(20.4)	-	-	-
	37.8	(22.3)	43.6	(34.1)

(b) Nature, purpose and movements

Employee benefits reserve

(a) Nature and purpose

The employee benefits reserve is used to record the assessed cost of shares issue to non-executive employees under the Employee Share Plan and the assessed cost of options granted to executive employees under the Executive Incentive Plan.

(b) Movements

	2011	2010	2011	2010
Opening balance	20.3	13.6	17.5	13.6
Net increase/(decrease) in reserve	(1.6)	6.7	0.5	3.9
	18.7	20.3	18.0	17.5

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

	2011	2010	2011	2010
Opening balance	3.6	2.1	0.3	0.3
Transfer asset revaluation reserve to retained earnings	(0.2)	(0.9)	(0.2)	-
Net revaluation increments/(decrements)	-	4.1	-	-
Tax effect of net revaluation increments	-	(1.7)	-	-
	3.4	3.6	0.1	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

	2011	2010	2011	2010
Opening balance	27.5	5.5	1.7	2.3
Transfer asset revaluation reserve to retained earnings (sold assets)	(1.0)	-	(1.0)	0.2
Net revaluation increments/(decrements)	11.5	31.6	0.4	(1.1)
Tax effect of net revaluation increments	(3.5)	(9.6)	(0.1)	0.3
	34.5	27.5	1.0	1.7

Asset revaluation reserve - available for sale debt securities

(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

	2011	2010	2011	2010
Opening balance	0.3	-	0.2	-
Net unrealised gains/(losses)	(0.3)	0.3	(0.1)	0.2
	-	0.3	0.1	0.2

RETAINED EARNINGS AND RESERVES (continued)

OTHER RESERVES (continued)	Consolidated		Parent	
	2011	2010	2011	2010
	$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	(178.7)	(295.4)	(140.0)	(261.8)
Changes due to mark to market	95.7	132.8	102.0	228.5
Changes due to mark to market attributable to non controlling interests	(1.3)	(0.5)	-	-
Tax effect of changes due to mark to market	(26.8)	(39.2)	(29.1)	(68.2)
Changes due to transfer to the income statement	2.6	33.7	(1.3)	35.8
Tax effect of changes due to transfer to the income statement	(0.8)	(10.1)	0.4	(10.7)
Transfer of business	-	-	-	(63.6)
	(109.3)	(178.7)	(68.0)	(140.0)
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)	-	-
Net gains on cash flow hedges	-	11.9	-	-
Tax effect of gain on cash flow hedges	-	(3.6)	-	-
	-	-	-	-
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	104.7	86.1	86.2	86.1
Establishment of Rural Bank GRCL on acquisition	-	18.9	-	-
Increase/(decrease) in general reserve for credit losses	6.2	(0.3)	6.2	0.1
	110.9	104.7	92.4	86.2
General reserve for credit losses - joint ventures				
(a) Nature and purpose				
The general reserve for credit losses - joint ventures records the group's share of a joint venture company's GRCL in accordance with equity accounting.				
(b) Movements				
Opening balance	-	11.1	-	-
Increase in general reserve for credit losses	-	(11.1)	-	-
	-	-	-	-
Acquisitions Reserve				
(a) Nature and purpose				
The acquisition reserve is used to record the difference between the carrying value of non-controlling interest and the consideration paid to acquire the remaining interest of the non-controlling interest. The reserve is attributable to the equity of the parent.				
(b) Movements				
Opening balance	-	-	-	-
Consideration paid in excess of carrying value of non-controlling interest.	(20.4)	-	-	-
	(20.4)	-	-	-
Total reserves	37.8	(22.3)	43.6	(34.1)

35. NON-CONTROLLING INTEREST

	Consolidated		Parent	
	2011	2010	2011	2010
	$m	$m	$m	$m
Interest in:				
Ordinary shares	-	122.7	-	-
Reserves	-	3.3	-	-
Retained earnings	-	19.7	-	-
	-	145.7	-	-

36. EMPLOYEE BENEFITS

	Consolidated		Parent	
	2011	2010	2011	2010
	$m	$m	$m	$m
Employee benefits liability				
Provision for annual leave	20.8	21.2	19.8	20.0
Provision for other employee payments	14.1	11.2	14.1	9.2
Provision for long service leave	31.7	29.8	30.9	28.8
Provision for sick leave bonus	4.7	4.0	4.7	4.0
Aggregate employee benefits liability	71.3	66.2	69.5	62.0

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 2011.
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.

37. SHARE BASED PAYMENT PLANS

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

The Company has established an Employee Salary Sacrifice, Deferred Share and Performance Share Plan (the "Plan"). 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, other senior executives and senior management (the "Participants") 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, the Participants have been 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 2011 Remuneration Report. Each performance share represents an entitlement to one fully-paid ordinary share in the company. Accordingly, the maximum number of shares that may be acquired by the Participants is equal to the number of performance shares granted.

Performance shares are granted at no cost to Participants. 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 Participants 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 39 and prior year remuneration reports.

The Participants 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. The Participants 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 to Participants in December 2009 with subsequent grants made in October 2010 and December 2010. The grants were made in accordance with the terms disclosed in the 2010 and 2011 Remuneration Reports and 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 at page 152.

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

	2011 No.	2011 WAEP	2010 No.	2010 WAEP
Outstanding at the beginning of the year	913,263	$0.00	-	-
Granted during the year	374,050	$0.00	1,540,360	$0.00
Forfeited during the year	-	-	(371,179)	$0.00
Vested / Exercised during the year	(409,753)	$0.00	(255,918)	$0.00
Expired during the year	-	-	-	-
Outstanding at the end of the year	877,560	$0.00	913,263	$0.00

The outstanding balance as at 30 June 2011 is represented by 877,560 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 $7.70 (2010: $7.17).

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 shares vesting. The following table lists the inputs to the model used for the years ended 30 June 2010 and 2011.

	2011 Grant	2010 Grant
Dividend yield (%)	5.0% and 5.5%	4.5%
Expected volatility (%)	25%	30%
Risk-free interest rate (%)	4.82% and 4.95%	4.25% to 5.15%
Expected life of performance shares (years)	4 and 5	5
Exercise price ($)	Nil	Nil
Fair value share price at grant date ($)	$9.16 and $9.95	$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 as described above.

The performance conditions and performance periods for grants under the Plan are set out in the 2011 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 prior year remuneration reports.

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 November 2008. The grant was in accordance with the terms disclosed in the 2011 Remuneration Report. The grants made under the Plan were valued and expensed in accordance with applicable accounting requirements.

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

	2011 No.	2011 WAEP	2010 No.	2010 WAEP
Outstanding at the beginning of the year	1,039,245	$12.54	2,052,199	$12.99
Granted during the year	-	-	-	-
Forfeited during the year	(133,684)	$12.16	(475,566)	$12.08
Vested / Exercised during the year	-	-	-	-
Expired during the year	-	-	(537,388)	$14.66
Outstanding at the end of the year	905,561	$12.60	1,039,245	$12.54

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

	2011 No.	2011 WAEP	2010 No.	2010 WAEP
Outstanding at the beginning of the year	166,191	-	430,151	-
Granted during the year	-	-	-	-
Forfeited during the year	(20,936)	-	(98,742)	-
Vested / Exercised during the year	-	-	(46,076)	-
Expired during the year	(57,804)	-	(119,142)	-
Outstanding at the end of the year	87,451	-	166,191	-

The outstanding balance as at 30 June 2011 is represented by:

- 311,922 performance options over ordinary shares with an exercise price of $15.47 each, 593,639 performance options over ordinary shares with an exercise price of $11.09 each, exercisable upon meeting the above conditions, and until 31 July 2013.
- 87,451 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 (2010: $0.00). 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 (2010: $0.00).

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. There have been no grants since 2008.

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)

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 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 and 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.

	2011 No.	2011 WAEP	2010 No.	2010 WAEP
Outstanding at the beginning of the year	4,340,147	$6.38	4,879,777	$6.70
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	(152,960)	$7.66	(539,630)	$9.12
Expired during the year	-	-	-	-
Outstanding at the end of the year	4,187,187	$5.87	4,340,147	$6.38
Exercisable at the end of the year	4,187,187	$5.87	4,340,147	$6.38

The outstanding balance as at 30 June 2011 is represented by 4,187,187 ordinary shares with a market value at 30 June 2011 of $8.86 each (value: $37,098,477), exercisable upon repayment of the employee loans.

The acquisition price of shares granted during the year was nil as no new shares have been issued since December 2007. 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.

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 is 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.

SHARE BASED PAYMENT PLANS (continued)

Employee Share Plan (Current) cont'd..

		Consolidated 2011 $m	2010 $m
Recognised share-based payment expenses			
Expense arising from equity settled share-based payment transactions		4.5	7.8
Total expense arising from share-based payment transactions		4.5	7.8
Employee share and loan values and EPS impact [(1)]			
Employee Share and Loan Values			
Value of unlisted employee shares on issue at 30 June 2011 - 4,187,187 shares @ $8.86 (2010 - 4,340,147 shares @ $8.18)		37.1	35.5
Value of outstanding employee loans at beginning of year relating to employee shares		27.7	32.7
Value of repayments of loans during year		(3.1)	(5.0)
Value of outstanding employee loans at end of year relating to employee shares		24.6	27.7
Number of employees with outstanding loan balances		2,360	2,525
Indicative cost of funding employee loans			
Average balance of loans outstanding		25.8	29.6
Average cost of funds		5.25%	4.44%
After tax indicative cost of funding employee loans		0.9	0.9
Earnings per ordinary share - actual	- cents	91.5	67.4
Earnings per ordinary share - adjusted for interest foregone	- cents	91.8	67.6

The cost of employee interest-free loans is calculated by applying the Company'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% (2010: 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.

Share Grant Scheme (Current)

The Company has established a tax-exempt Employee Share Grant Scheme ("ESGS") as the main equity participation platform for general employees. Shareholder approval for future grants under the ESGS was obtained at the 2008 Annual General Meeting. The ESGS 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 intended that grants under the ESGS 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. A second grant to general employees was made in March 2010 with 340,039 fully paid ordinary shares being issued at $10.03 and a third grant to general employees was made in February 2011 with 327,233 fully paid ordinary shares being issued at $9.78. The issue price is 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 above. As at 30 June 2011 there were 1,266,993 fully paid ordinary shares held by the Plan Trustee.

SHARE BASED PAYMENT PLANS (continued)

Bendigo and Adelaide Bank Employee Share Ownership Plan (Discontinued)

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 above table titled "Recognised share-base payment expenses."

38. AUDITOR'S REMUNERATION

	Consolidated		Parent	
	2011	2010	2011	2010
	$	$	$	$
Total fees paid or due and payable to Ernst & Young (Australia) (1)				
Audit and review of financial statements (2)	1,921,760	1,817,172	1,256,299	1,304,389
Audit-related fees				
Regulatory (3)	476,851	214,371	436,195	171,083
Non-regulatory (4)	11,588	7,983	3,348	-
Total audit-related fees	488,439	222,354	439,543	171,083
All other fees (5)				
Taxation services	698,387	986,004	580,861	834,653
Other advice	11,005	243,595	11,005	88,580
Total other fees	709,392	1,229,599	591,866	923,233
Total remuneration of Ernst & Young Australia	3,119,591	3,269,125	2,287,708	2,398,705

(1) Fees exclude goods and services tax

(2) 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.

(3) 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.

(4) 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.

(5) 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.

39. KEY MANAGEMENT PERSONNEL

(a) Details of key management personnel for the group and the Company for the 2011 financial year are presented in the 2011 Remuneration Report at pages 58 and 62.

(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 2011 financial year:

	CONSOLIDATED	
	2011	**2010**
	$	**$**
Short-term employee benefits	7,316,447	5,670,013
Post employment benefits	366,502	286,894
Other long-term benefits	227,988	218,591
Termination benefits	-	1,062,000
Share-based payment	3,394,418	3,347,591
Total Compensation	**11,305,355**	**10,585,089**

(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 hedging restriction applies to variable remuneration that comprises equity. An employee and their closely related parties may not enter into a transaction designed to remove the at-risk element of the equity before it has vested. This also applies to the at-risk element of equity after it has vested, if it is subject to a holding lock. These restrictions are in the staff trading policy and remuneration policy.

Further details of the Plan are set out in the 2011 Remuneration Report.

KEY MANAGEMENT PERSONNEL (continued)

Performance Shares (Grant A: TSR Performance Condition)

	Vested	Granted	Terms & Conditions for each Grant					
30 June 2011	**No.**	**No.**	**Grant Date**	**Fair Value at grant date**	**Exercise price**	**Expiry Date**	**First Exercise Date**	**Last Exercise Date**
Current Executives								
M Baker								
- Tranche 1	3,901	6,002	08.10.10	$6.34	$0.00	30.06.12	30.06.11	30.06.12
- Tranche 2	-	6,002	08.10.10	$5.21	$0.00	30.06.12	30.06.12	30.06.12
D Bice								
- Tranche 1	780	1,200	08.10.10	$6.34	$0.00	30.06.12	30.06.11	30.06.12
- Tranche 2	-	1,200	08.10.10	$5.21	$0.00	30.06.12	30.06.12	30.06.12
J Billington								
- Tranche 1	8,583	13,205	08.10.10	$6.34	$0.00	30.06.12	30.06.11	30.06.12
- Tranche 2	-	13,205	08.10.10	$5.21	$0.00	30.06.12	30.06.12	30.06.12
R Fennell								
- Tranche 1	4,877	7,503	08.10.10	$6.34	$0.00	30.06.12	30.06.11	30.06.12
- Tranche 2	-	7,503	08.10.10	$5.21	$0.00	30.06.12	30.06.12	30.06.12
R Jenkins								
- Tranche 1	3,901	6,002	08.10.10	$6.34	$0.00	30.06.12	30.06.11	30.06.12
- Tranche 2	-	6,002	08.10.10	$5.21	$0.00	30.06.12	30.06.12	30.06.12
T Piper								
- Tranche 1	3,706	5,702	08.10.10	$6.34	$0.00	30.06.12	30.06.11	30.06.12
- Tranche 2	-	5,702	08.10.10	$5.21	$0.00	30.06.12	30.06.12	30.06.12
S Thredgold								
- Tranche 1	5,852	9,003	08.10.10	$6.34	$0.00	30.06.12	30.06.11	30.06.12
- Tranche 2	-	9,003	08.10.10	$5.21	$0.00	30.06.12	30.06.12	30.06.12
A Watts								
- Tranche 1	8,778	13,505	08.10.10	$6.34	$0.00	30.06.12	30.06.11	30.06.12
- Tranche 2	-	13,505	08.10.10	$5.21	$0.00	30.06.12	30.06.12	30.06.12
Total	**40,378**	**124,244**						

KEY MANAGEMENT PERSONNEL (continued)

Performance Shares (Grant B: Continued Service)

	Vested	Granted	Terms & Conditions for each Grant					
30 June 2011	**No.**	**No.**	**Grant Date**	**Fair Value at grant date**	**Exercise price**	**Expiry Date**	**First Exercise Date**	**Last Exercise Date**
Current Executives								
M Baker								
- Tranche 1	6,002	6,002	08.10.10	$8.84	$0.00	30.06.12	30.06.11	30.06.12
- Tranche 2	-	6,002	08.10.10	$8.42	$0.00	30.06.12	30.06.12	30.06.12
D Bice								
- Tranche 1	1,200	1,200	08.10.10	$8.84	$0.00	30.06.12	30.06.11	30.06.12
- Tranche 2	-	1,200	08.10.10	$8.42	$0.00	30.06.12	30.06.12	30.06.12
J Billington								
- Tranche 1	13,205	13,205	08.10.10	$8.84	$0.00	30.06.12	30.06.11	30.06.12
- Tranche 2	-	13,205	08.10.10	$8.42	$0.00	30.06.12	30.06.12	30.06.12
R Fennell								
- Tranche 1	7,503	7,503	08.10.10	$8.84	$0.00	30.06.12	30.06.11	30.06.12
- Tranche 2	-	7,503	08.10.10	$8.42	$0.00	30.06.12	30.06.12	30.06.12
R Jenkins								
- Tranche 1	6,002	6,002	08.10.10	$8.84	$0.00	30.06.12	30.06.11	30.06.12
- Tranche 2	-	6,002	08.10.10	$8.42	$0.00	30.06.12	30.06.12	30.06.12
T Piper								
- Tranche 1	5,702	5,702	08.10.10	$8.84	$0.00	30.06.12	30.06.11	30.06.12
- Tranche 2	-	5,702	08.10.10	$8.42	$0.00	30.06.12	30.06.12	30.06.12
S Thredgold								
- Tranche 1	9,003	9,003	08.10.10	$8.84	$0.00	30.06.12	30.06.11	30.06.12
- Tranche 2	-	9,003	08.10.10	$8.42	$0.00	30.06.12	30.06.12	30.06.12
A Watts								
- Tranche 1	13,505	13,505	08.10.10	$8.84	$0.00	30.06.12	30.06.11	30.06.12
- Tranche 2	-	13,505	08.10.10	$8.42	$0.00	30.06.12	30.06.12	30.06.12
Total	**62,122**	**124,244**						

KEY MANAGEMENT PERSONNEL (continued)

Performance Shares (Grant A and Grant B)

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

30 June 2011	Balance at 1-Jul-10	Granted as Remun-eration	Performance Shares Vested	Net Change Other	Balance at 30-Jun-11	Total	Exercisable	Not Exercisable
Current Executives								
M Hirst	636,429	-	(143,102)	-	493,327	493,327	-	493,327
M Baker	66,307	24,008	(38,522)	-	51,793	51,793	-	51,793
D Bice	43,100	4,800	(20,582)	-	27,318	27,318	-	27,318
J Billington	-	52,820	(21,788)	-	31,032	31,032	-	31,032
R Fennell	58,020	30,012	(37,422)	-	50,610	50,610	-	50,610
R Jenkins	66,307	24,008	(38,522)	-	51,793	51,793	-	51,793
T Piper	43,100	22,808	(28,010)	-	37,898	37,898	-	37,898
S Thredgold	-	36,012	(14,855)	-	21,157	21,157	-	21,157
A Watts	-	54,020	(22,283)	-	31,737	31,737	-	31,737
Total	**913,263**	**248,488**	**(365,086)**	**-**	**796,665**	**796,665**	**-**	**796,665**

30 June 2010	Balance at 1-Jul-09	Granted as Remun-eration	Performance Shares Vested	Net Change Other	Balance at 30-Jun-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 2011

There were no grants of options during or subsequent to the financial year ended 30 June 2011 and no shares were issued on the exercise of vested options.

30 June 2011	Balance 1-Jul-10	Granted as Remun-eration	Options Exercised	Net Change Other	Balance 30-Jun-11	Total	Exercisable	Not Exercisable
Current Executives								
M Hirst	204,261	-	-	-	204,261	204,261	-	204,261
M Baker	78,898	-	-	-	78,898	78,898	-	78,898
R Fennell	47,445	-	-	-	47,445	47,445	-	47,445
R Jenkins	88,462	-	-	-	88,462	88,462	-	88,462
T Piper	47,445	-	-	-	47,445	47,445	-	47,445
A Watts	71,373	-	-	-	71,373	71,373	-	71,373
Total	**537,884**	**-**	**-**	**-**	**537,884**	**537,884**	**-**	**537,884**

Performance Options FY 2010

30 June 2010	Balance 1-Jul-09	Granted as Remun-eration	Options Exercised	Net Change Other	Balance 30-Jun-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
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
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**

KEY MANAGEMENT PERSONNEL (continued)

Performance Rights FY 2011

There were no grants of performance rights during or subsequent to the financial year ended 30 June 2011 and no shares were issued on the exercise of vested performance rights (2010: 46,076 shares).

30 June 2011	Balance at 1-Jul-10	Granted as Remun-eration	Rights Vested / Exercised	Net Change Other	Balance at 30-Jun-11	Total	Exercisable	Not Exercisable
Current Executives								
M Hirst	31,625	-	-	(7,484)	24,141	24,141	-	24,141
M Baker	12,682	-	-	(5,167)	7,515	7,515	-	7,515
R Fennell	6,989	-	-	-	6,989	6,989	-	6,989
R Jenkins	14,201	-	-	(5,702)	8,499	8,499	-	8,499
T Piper	6,989	-	-	-	6,989	6,989	-	6,989
A Watts	11,318	-	-	(3,920)	7,398	7,398	-	7,398
Total	**83,804**	**-**	**-**	**(22,273)**	**61,531**	**61,531**	**-**	**61,531**

Performance Rights FY 2010

30 June 2010	Balance 1-Jul-09	Granted as Remun-eration	Rights Vested / exercised	Net Change Other	Balance 30-Jun-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
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
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**

KEY MANAGEMENT PERSONNEL (continued)

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

Name	Balance 1 July 2010			Net Change			Balance 30 June 2011		
	Ordinary shares	Employee shares	Pref Shares	Ordinary shares	Employee shares	Pref Shares	Ordinary shares	Employee shares	Pref Shares
Non-Executive Directors									
R Johanson	339,951	-	1,000	(6,347)	-	-	333,604	-	1,000
K Abrahamson	19,284	-	309	-	-	-	19,284	-	309
J Dawson	26,422	-	100	1,777	-	-	28,199	-	100
J Hazel	5,145	-	-	5,514	-	-	10,659	-	-
D Matthews	1,540	-	-	5,385	-	-	6,925	-	-
T O'Dwyer	68,575	-	-	5,000	-	-	73,575	-	-
D Radford	1,900	-	-	-	-	-	1,900	-	-
A Robinson	5,966	-	-	-	-	-	5,966	-	-
Current Executives									
M Hirst	9,288	175,761	-	625	149,245	-	9,913	325,006	-
M Baker	21,742	80,871	500	1,463	39,749	-	23,205	120,620	500
D Bice	3,347	45,165	-	(3,347)	21,630	-	-	66,795	-
J Billington	-	-	-	-	21,788	-	-	21,788	-
R Fennell	-	23,414	-	-	38,496	-	-	61,910	-
R Jenkins	38,960	95,031	-	(18,728)	39,749	-	20,232	134,780	-
T Piper	-	17,754	-	-	28,808	-	-	46,562	-
S Thredgold	3,717	349	-	-	14,855	-	3,717	15,204	-
A Watts	3,387	19,569	-	-	22,283	-	3,387	41,852	-
Total	**549,224**	**457,914**	**1,909**	**(8,658)**	**376,603**	**-**	**540,566**	**834,517**	**1,909**

All equity transactions with key management personnel have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length other than shares issued under the Employee Share Ownership Plan. Issue of shares under the Employee Share Plan are made under conditions disclosed in Note 37.

(e) 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 2011
		$'000	$'000	$'000	$'000	$'000	
Directors[1]							
	2011 [2]	2,989	237	-	-	3,240	5
	2010 [2]	3,667	273	-	-	2,989	5
Executives[1]							
	2011 [2]	3,821	212	42	-	4,451	8
	2010 [2]	13,571	468	216	-	3,821	8
Total directors and executives							
	2011 [2]	6,810	449	42	-	7,691	13
	2010 [2]	17,238	741	216	-	6,810	13

[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 37.

[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.

KEY MANAGEMENT PERSONNEL (continued)

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

	Balance at beginning of period $'000	Interest charged $'000	Interest not charged $'000	Write-off $'000	Balance at end of period $'000	Highest owing in period $'000
Directors						
R Johanson	1,273	110	-	-	1,576	1,625
J Dawson	449	33	-	-	438	482
D Radford	397	21	-	-	250	410
T Robinson	500	38	-	-	500	503
D Matthews	370	35	-	-	476	846
Current Executives						
M Hirst						
Staff share loan	252	-	13	-	229	252
Loans	40	2	-	-	44	48
M Baker						
Staff share loan	209	-	10	-	184	209
Loans	58	4	-	-	85	114
D Bice						
Staff share loan	101	-	5	-	87	101
Loans	433	42	-	-	481	631
R Fennell						
Loans	508	34	-	-	463	508
R Jenkins						
Staff share loan	222	-	11	-	190	222
Loans	1,243	102	-	-	2,337	2,377
S Thredgold						
Loans	325	22	-	-	274	325
A Watts						
Staff share loan	53	-	3	-	44	53
Loans	346	6	-	-	33	350

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 ("Plan"). Details of the Plan's terms and conditions are provided at Note 37 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 2011 financial year included services in relation to the purchase of Rural Bank Limited, 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 $1,856,357 (excluding GST) (2010: $1,063,660).

40. 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 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)

All 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 $m	Supplies, fixed assets and services charged to subsidiaries $m	Net amount owing to/(from) subsidiaries at 30 June $m
Bendigo Finance Pty Ltd	2011	(0.1)	-	(1.3)
	2010	0.4	-	(1.2)
Tasmanian Banking Services Limited [1]	2011	2.1	-	-
	2010	2.3	4.4	(2.1)
National Mortgage Market Corporation Limited	2011	0.5	0.1	10.4
	2010	2.9	0.4	10.0
National Assets Securitisation Corporation Pty Ltd	2011	-	-	-
	2010	(0.9)	-	-
Fountain Plaza Pty Ltd	2011	(1.4)	-	-
	2010	(0.2)	-	1.4
Victorian Securities Corporation Limited	2011	4.0	2.8	8.8
	2010	1.5	2.4	7.6
Bendigo Financial Planning Limited	2011	11.5	10.8	(1.7)
	2010	13.0	11.2	(2.4)
Rural Bank Limited [1]	2011	1.7	9.1	(6.9)
	2010	1.2	7.5	0.5
Community Developments Australia Pty Ltd	2011	1.8	1.7	(10.0)
	2010	0.4	1.4	(10.1)
Community Exchanges Australia Pty Ltd	2011	0.1	-	(0.6)
	2010	(0.5)	-	(0.7)
Sandhurst Trustees Limited	2011	18.2	10.4	(66.4)
	2010	8.6	12.1	(74.2)
Oxford Funding Pty Ltd	2011	-	-	1.9
	2010	0.5	-	1.9
Pirie Street Holdings Limited	2011	-	-	-
(previously Adelaide Bank Limited)	2010	77.9	-	-
Adelaide Equity Finance Pty Ltd	2011	(342.7)	3.5	(329.3)
	2010	416.9	3.3	16.9
Leveraged Equities	2011	(626.7)	18.7	(1,611.4)
	2010	(730.9)	24.9	(966.0)
Co-op Member Services Pty Ltd	2011	(23.8)	-	(1.2)
	2010	0.4	-	22.6
Hindmarsh Financial Service Pty Ltd	2011	-	-	(1.4)
	2010	(0.3)	-	(1.4)
AB Management Pty Ltd	2011	2.1	-	11.9
	2010	2.9	-	9.8
Adelaide Managed Funds Limited	2011	1.0	0.8	(0.3)
	2010	7.0	1.5	(0.5)
Hindmarsh Adelaide Property Trust	2011	-	-	(4.9)
	2010	(1.0)	-	(4.9)
Homesafe Trust	2011	-	-	(241.6)
	2010	-	-	(144.0)
Pirie St Nominees Pty Ltd	2011	0.1	-	0.1
	2010	-	-	-

[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 $m	Drawn/issued at 30 June 2011 $m
Sandhurst Trustees Limited	Standby	20.0	-
	Guarantee	0.2	-
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	0.8
	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
AB Investment Services Pty Ltd	2011	0.5
	2010	-
ABL Advisory Services Pty Ltd	2011	0.3
	2010	-
ABL Securities Pty Ltd	2011	16.3
	2010	-
Sandhurst Trustees Limited	2011	14.1
	2010	15.0
Sunstate Lenders Mortgage Insurance Pty Ltd	2011	-
	2010	1.3
Leveraged Equities	2011	-
	2010	60.0
Rural Bank Limited	2011	9.6
	2010	14.7
Caroline Springs Financial Services Limited	2011	-
	2010	0.1
Funds Transfer Services Limited	2011	-
	2010	0.5
Tasmanian Banking Services Limited	2011	0.6
	2010	-
Fountain Plaza Pty Ltd	2011	3.3
	2010	-

During the year there were no other material transactions between subsidiary companies.

RELATED PARTY DISCLOSURES (continued)

Other related party transactions

Securitised and sold loans

The bank securitised loans totalling $4,755.7 million (2010: $2,550.7 million) during the financial year. The consolidated group does invest in some of its own securitisation programs where the Bank holds A & B notes equivalent to $6,586.3 million as at 30 June 2011 (2010: $6,049.8 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 using the equity method. 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.

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 $m	Supplies and services provided to joint ventures $m	Amount owing to/(from) joint ventures at 30 June $m
Rural Bank Limited	2011	-	-	-
	2010	0.4	2.9	-
Tasmanian Banking Services Ltd	2011	-	-	-
	2010	1.0	0.2	-
Community Sector Enterprises Pty Ltd	2011	6.2	3.8	0.2
	2010	5.3	2.8	0.3
Silver Body Corporate Financial Services Pty Ltd	2011	1.1	0.5	0.1
	2010	1.2	0.4	-
Strategic Payments Services Pty Ltd	2011	10.3	-	-
	2010	10.9	-	-
Community Telco Australia Pty Ltd	2011	0.3	-	0.2
	2010	-	-	(1.0)

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.

41. 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 the group's culture is the value in all staff to doing the right thing, taking responsibility for managing risks inherent in their role and engaging with the group's 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, management 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 its 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 and CFO Assurance

As part of the statutory reporting arrangements for the group, the managing director (MD) 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"), management credit committee and executive committee. They align with the financial forecast 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, financial forecasting, 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 management 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 management credit committee and the board credit committee and
- Jointly approving larger transactions that are not required to be submitted to the management 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	
	2011	2010	2011	2010
	$ m	$ m	$ m	$ m
Cash and cash equivalents	469.0	760.5	346.7	615.0
Due from other financial institutions	201.6	279.7	200.9	279.0
Financial assets held for trading	4,331.7	3,985.2	4,332.7	3,986.3
Financial assets available for sale - debt securities	452.1	261.5	2,334.7	2,039.3
Financial assets held to maturity	380.3	482.8	69.7	97.4
Other assets	417.0	618.2	828.3	460.8
Financial assets available for sale - share investments	123.4	111.7	3.5	3.0
Derivatives	9.3	7.4	42.2	130.8
Shares in controlled entities	-	-	489.3	530.1
Amounts receivable from controlled entities	-	-	1,576.6	694.9
Loans and other receivables - investment	471.2	541.0	471.2	541.0
Gross loans and other receivables	46,020.7	43,158.3	39,351.5	35,791.6
	52,876.3	50,206.3	50,047.3	45,169.2
Contingent liabilities	177.3	179.5	174.3	176.5
Commitments	4,509.4	4,142.6	4,419.4	4,071.2
	4,686.7	4,322.1	4,593.7	4,247.7
Total credit risk exposure	57,563.0	54,528.4	54,641.0	49,416.9

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 173 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 2011 was $685.6 million (2010: $561.5 million) before taking account of collateral or other credit enhancements and $685.6 million (2010: $561.5 million) net of such protection.

Geographic
The group's financial assets, before taking into account any collateral held or other credit enhancements can be analysed by the following geographic regions:

Gross maximum exposure	Consolidated		Parent	
	2011	2010	2011	2010
	$ m	$ m	$ m	$ m
Victoria	20,322.0	18,076.4	22,978.4	19,384.8
New South Wales	13,001.3	12,614.0	10,803.5	10,387.6
Australian Capital Territory	635.5	399.3	629.7	394.0
Queensland	9,629.0	9,927.0	8,102.3	8,276.6
South Australia/Northern Territory	6,767.7	5,583.0	6,397.3	4,689.6
Western Australia	4,778.1	6,519.9	4,235.2	5,032.1
Tasmania	1,958.3	969.9	1,087.3	864.8
Overseas/other	471.1	438.9	407.3	387.4
Total credit risk exposure	57,563.0	54,528.4	54,641.0	49,416.9

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 2011 $ m	Gross maximum exposure 2010 $ m	Gross maximum exposure 2011 $ m	Gross maximum exposure 2010 $ m
Accommodation and food services	644.6	571.6	530.3	481.1
Administrative and support services	321.4	328.9	217.8	238.3
Agriculture, forestry and fishing	4,865.7	5,048.9	1,295.4	1,264.0
Arts and recreation services	195.6	197.2	150.7	157.7
Construction	2,262.1	2,127.2	1,622.9	1,605.9
Education and training	417.1	412.7	240.7	247.0
Electricity, gas, water and waste services	213.5	200.0	130.2	132.7
Financial and insurance services	1,238.0	1,102.0	1,135.7	1,021.0
Financial services	6,199.1	6,322.1	10,143.4	8,888.5
Health care and social assistance	1,088.5	1,023.2	814.3	777.5
Information media and telecommunications	190.8	193.8	130.5	135.3
Manufacturing	902.7	906.2	584.5	618.4
Margin Lending	3,202.2	3,627.0	-	-
Mining	245.4	252.6	153.8	173.0
Other	160.9	308.7	102.2	153.6
Other Services	739.6	578.4	622.3	438.1
Professional, scientific and technical services	825.5	769.3	623.0	604.9
Public administration and safety	655.9	634.4	443.0	437.6
Rental, hiring and real estate services	3,320.5	2,794.1	3,163.0	2,687.4
Residential/consumer	27,286.5	24,568.4	30,667.8	27,407.7
Retail trade	1,380.3	1,334.5	1,053.2	1,057.9
Transport, postal and warehousing	735.6	765.3	464.5	528.3
Wholesale trade	471.5	461.9	351.8	361.0
	57,563.0	54,528.4	54,641.0	49,416.9

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						
2011	**High Grade $ m**	**Standard Grade $ m**	**Sub-standard Grade $ m**	**Unrated $ m**	**Consumer Loans * $ m**	**Past Due or Impaired $ m**	**Total $ m**
Cash and cash equivalents	469.0	-	-	-	-	-	469.0
Due from other financial institutions	201.6	-	-	-	-	-	201.6
Financial assets held for trading	4,331.7	-	-	-	-	-	4,331.7
Financial assets available for sale - debt securities	452.1	-	-	-	-	-	452.1
Financial assets held to maturity	380.3	-	-	-	-	-	380.3
Other assets	-	-	-	417.0	-	-	417.0
Financial assets available for sale - share investments	-	-	-	123.4	-	-	123.4
Derivatives	9.3	-	-	-	-	-	9.3
Loans and other receivables - investment	-	357.2	-	23.2	-	90.8	471.2
Loans and other receivables	4,596.5	6,599.6	932.7	715.0	30,011.0	3,165.9	46,020.7
	10,440.5	6,956.8	932.7	1,278.6	30,011.0	3,256.7	52,876.3
2010							
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

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

PARENT

	Neither past due or impaired						
2011	**High Grade $ m**	**Standard Grade $ m**	**Sub-standard Grade $ m**	**Unrated $ m**	**Consumer Loans * $ m**	**Past Due or Impaired $ m**	**Total $ m**
Cash and cash equivalents	346.7	-	-	-	-	-	346.7
Due from other financial institutions	200.9	-	-	-	-	-	200.9
Financial assets held for trading	4,332.7	-	-	-	-	-	4,332.7
Financial assets available for sale - debt securities	2,334.7	-	-	-	-	-	2,334.7
Financial assets held to maturity	69.7	-	-	-	-	-	69.7
Other assets	-	-	-	828.3	-	-	828.3
Financial assets available for sale - share investments	-	-	-	3.5	-	-	3.5
Derivatives	42.2	-	-	-	-	-	42.2
Loans and other receivables - investment	-	357.2	-	23.2	-	90.8	471.2
Loans and other receivables	106.0	4,977.0	611.9	761.7	30,174.8	2,720.1	39,351.5
Amounts receivable from controlled entities	-	-	-	1,576.6	-	-	1,576.6
Shares in controlled entities	-	-	-	489.3	-	-	489.3
	7,432.9	5,334.2	611.9	3,682.6	30,174.8	2,810.9	50,047.3
2010							
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	-	-	-	530.1	-	-	530.1
	7,274.6	6,706.0	656.7	2,927.4	25,012.2	2,592.3	45,169.2

* 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

	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
Consolidated						
2011	1,642.6	343.5	181.1	730.8	2,898.0	5,724.1
2010	1,544.7	347.9	147.3	539.1	2,579.0	6,568.0
Parent						
2011	1,578.4	331.5	160.9	574.5	2,645.3	5,368.3
2010	1,511.1	300.3	132.8	459.3	2,403.5	5,092.1

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 2011 (2010:0.54%).

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:

	2011 %	2010 %
30 June	11.59	11.19
Average during the financial year	12.37	12.08
Highest	14.68	14.15
Lowest	11.03	10.85

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the group's financial liabilities at 30 June 2011 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

2011	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	215.6	-	-	-	-	215.6
Deposits	11,075.6	17,614.8	11,399.4	816.1	1.0	40,906.9
Notes payable	-	1,156.3	1,358.3	5,898.0	-	8,412.6
Derivatives	-	183.8	487.7	459.8	82.4	1,213.7
Other payables	598.8	-	-	-	-	598.8
Income tax payable	68.6	-	-	-	-	68.6
Reset preference shares	-	-	5.4	92.2	-	97.6
Subordinated debt - at amortised cost	-	11.0	140.7	223.3	514.0	889.0
	11,958.6	18,965.9	13,391.5	7,489.4	597.4	52,402.8
2010						
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

PARENT

2011	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	214.6	-	-	-	-	214.6
Deposits	11,188.5	16,068.6	9,868.9	746.1	0.3	37,872.4
Notes payable	-	453.3	125.7	-	-	579.0
Derivatives	-	157.8	253.3	269.9	80.8	761.8
Other payables	631.8	-	-	-	-	631.8
Loans payable to securitisation trusts	-	120.7	31.0	3,364.6	4,221.8	7,738.1
Income tax payable	68.6	-	-	-	-	68.6
Reset preference shares	-	-	5.4	92.2	-	97.6
Subordinated debt - at amortised cost	-	9.2	135.2	194.1	403.5	742.0
	12,103.5	16,809.6	10,419.5	4,666.9	4,706.4	48,705.9
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

RISK MANAGEMENT (continued)

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

CONSOLIDATED

	At call	Not longer than 3 mths	3 to 12 months	1 to 5 years	Longer than 5 years	Total
2011	$ m	$ m	$ m	$ m	$ m	$ m
Contingent liabilities	177.3	-	-	-	-	177.3
Commitments	4,505.6	-	108.9	186.7	220.4	5,021.6
Total	4,682.9	-	108.9	186.7	220.4	5,198.9
2010						
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

PARENT

	At call	Not longer than 3 mths	3 to 12 months	1 to 5 years	Longer than 5 years	Total
	$ m	$ m	$ m	$ m	$ m	$ m
2011						
Contingent liabilities	174.3	-	-	-	-	174.3
Commitments	4,415.6	-	108.6	186.0	220.4	4,930.6
Total	4,589.9	-	108.6	186.0	220.4	5,104.9
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

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 risk volatility of net interest income and market value of equity exposures. Positions are monitored regularly and approved hedging strategies are executed to ensure sensitivities and exposures 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 2011, 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 2011 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)

CONSOLIDATED

	+100 basis points 2011 $ m	-100 basis points 2011 $ m	+100 basis points 2010 $ m	-100 basis points 2010 $ m
Net interest income	49.3	(43.6)	37.2	(37.7)
Ineffectiveness in cash flow hedge	3.1	(3.1)	5.1	(5.1)
Income tax effect at 30%	(15.7)	14.0	(12.7)	12.8
Effect on profit	36.7	(32.7)	29.6	(30.0)
Effect on profit (per above)	36.7	(32.7)	29.6	(30.0)
Ineffectiveness in cash flow hedge	98.5	(98.5)	100.9	(100.9)
Income tax effect on reserves at 30%	(29.6)	29.6	(30.3)	30.3
Effect on equity	105.6	(101.6)	100.2	(100.6)

PARENT

	+100 basis points 2011 $ m	-100 basis points 2011 $ m	+100 basis points 2010 $ m	-100 basis points 2010 $ m
Net interest income	39.7	(36.6)	30.5	(31.0)
Ineffectiveness in cash flow hedge - controlled entity	3.6	(3.6)	5.0	(5.0)
Income tax effect at 30%	(13.0)	12.1	(10.7)	10.8
Effect on profit	30.3	(28.1)	24.8	(25.2)
Effect on profit (per above)	30.3	(28.1)	24.8	(25.2)
Cash flow hedge reserve	88.5	(88.5)	94.1	(94.1)
Income tax effect on reserves at 30%	(26.6)	26.6	(28.2)	28.2
Effect on equity	92.2	(90.0)	90.7	(91.1)

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 company'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 $162.4 million (2010: AUD $239.8 million) with all borrowings fully hedged by cross currency swaps, and foreign exchange swaps. Retail and business banking FX transactions are managed by the group's Financial Markets unit, with resulting risk constrained by board approved spot and forward limits. Adherence to limits is independently monitored by the 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 2011 is $123.4m (2010:$111.7m) with $121.2m (2010:$109.5m) of these listed on a recognised stock exchange. The fair value of listed investments is affected by movements in market prices, whilst unlisted investment fair values are determined using other valuation methods.

Equity securities price risk arises from investments in equity securities and is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The majority of the value of equity investments held are of a high quality and are publicly traded on either the ASX or 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 the group's 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.

42. FINANCIAL INSTRUMENTS

Fair value

Disclosed below is the estimated fair value of the group'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 "Derivatives".

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 (i.e 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, except for other assets in the Company which includes investments in joint ventures. Refer to Investments in joint ventures methodology above.

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:

CONSOLIDATED

	Carrying value		Net fair value	
	2011	2010	2011	2010
	$m	$m	$m	$m
Financial Assets				
Cash and cash equivalents	469.0	760.5	469.0	760.5
Due from other financial institutions	201.6	279.7	201.6	279.7
Derivatives	9.3	7.4	9.3	7.4
Financial assets held for trading	4,331.7	3,985.2	4,331.7	3,985.2
Financial assets available for sale - debt securities	452.1	261.5	452.1	261.5
Financial assets available for sale - equity investments	123.4	111.7	123.4	111.7
Financial assets held to maturity	380.3	482.8	380.3	482.8
Loans and other receivables - investment	471.2	541.0	474.5	540.4
Net loans and other receivables	45,866.7	42,980.8	46,078.6	43,148.1
Investments in joint ventures accounted for using the equity method	12.5	7.2	12.5	7.2
Other assets	417.0	618.2	417.0	618.2
Financial Liabilities				
Due to other financial institutions	215.6	195.5	215.6	195.5
Deposits	40,521.3	37,076.2	39,954.9	36,497.1
Notes Payable	8,381.8	9,059.8	8,407.6	9,043.7
Derivatives	132.0	263.6	132.0	263.6
Other payables	781.2	760.3	781.2	760.3
Reset preference shares	89.5	89.5	91.3	90.1
Subordinated debt	575.7	532.9	566.1	506.1

PARENT

	Carrying value		Net fair value	
	2011	2010	2011	2010
	$m	$m	$m	$m
Financial Assets				
Cash and cash equivalents	346.7	615.0	346.7	615.0
Due from other financial institutions	200.9	279.0	200.9	279.0
Derivatives	42.2	130.8	42.2	130.8
Financial assets held for trading	4,332.7	3,986.3	4,332.7	3,986.3
Financial assets available for sale - debt securities	2,334.7	2,039.3	2,334.7	2,039.3
Financial assets available for sale - equity investments	3.5	3.0	3.5	3.0
Shares in controlled entities	489.3	530.1	489.3	530.1
Financial assets held to maturity	69.7	97.4	69.7	97.4
Loans and other receivables - investment	471.2	541.0	474.5	540.4
Net loans and other receivables	39,255.4	35,636.6	39,353.3	35,767.3
Amounts receivable from controlled entities	1,576.6	694.9	1,576.6	694.9
Other assets	828.3	460.8	825.9	452.4
Financial Liabilities				
Due to other financial institutions	214.6	194.3	214.6	194.3
Deposits	37,526.0	33,504.2	37,024.8	32,993.9
Notes Payable	576.9	1,156.4	576.9	1,156.4
Derivatives	152.4	220.3	152.4	220.3
Other payables	830.7	820.8	830.7	820.8
Loans payable to securitisation trusts	7,738.0	6,406.7	7,738.0	6,406.7
Reset preference shares	89.5	89.5	91.3	90.1
Subordinated debt	484.9	393.7	475.3	366.9

FINANCIAL INSTRUMENTS (continued)

Interest rate risk

The group'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.

CONSOLIDATED

AS AT 30 JUNE 2011	Floating interest rate	Fixed interest rate repricing : Less than 3 months	Between 3 months & 6 months	Between 6 months & 12 months	Between 1 year & 5 years	After 5 years	Non interest bearing	Total carrying value per Balance sheet	Weighted average effective interest rate
	$m	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**%**
Assets									
Cash and cash equivalents	174.4	-	-	-	-	-	294.6	469.0	1.75
Due from other financial institutions	-	-	-	-	-	-	201.6	201.6	-
Financial assets held for trading	41.8	3,863.2	426.7	-	-	-	-	4,331.7	5.15
Financial assets available for sale	19.0	432.9	-	0.1	0.1	-	-	452.1	5.59
Financial assets held to maturity	1.0	374.5	4.8	-	-	-	-	380.3	5.29
Loans and other receivables	31,873.9	5,674.7	1,195.6	2,804.6	4,770.0	123.6	(104.5)	46,337.9	7.78
Derivatives	-	-	-	-	-	-	9.3	9.3	-
Total financial assets	32,110.1	10,345.3	1,627.1	2,804.7	4,770.1	123.6	401.0	52,181.9	-
Liabilities									
Due to other financial institutions	-	-	-	-	-	-	215.6	215.6	-
Deposits	10,860.6	18,166.2	7,164.6	3,489.9	839.3	0.7	-	40,521.3	5.02
Notes payable	8.0	7,969.0	124.8	-	280.0	-	-	8,381.8	5.79
Derivatives	-	-	-	-	-	-	132.0	132.0	-
Reset preference shares	-	-	-	-	89.5	-	-	89.5	6.16
Subordinated debt	-	563.7	-	-	12.0	-	-	575.7	7.71
Total financial liabilities	10,868.6	26,698.9	7,289.4	3,489.9	1,220.8	0.7	347.6	49,915.9	-

FINANCIAL INSTRUMENTS (continued)

Interest rate risk (continued)

CONSOLIDATED

AS AT 30 JUNE 2010	Floating interest rate	Fixed interest rate repricing : Less than 3 months	Between 3 months & 6 months	Between 6 months & 12 months	Between 1 year & 5 years	After 5 years	Non interest bearing	Total carrying value per Balance sheet	Weighted average effective interest rate
	$m	**$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 institutions	-	-	-	-	-	-	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	60.1	8,148.0	450.6	401.1	-	-	-	9,059.8	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	10,834.2	25,912.7	6,097.0	2,811.0	958.2	5.8	598.6	47,217.5	-

FINANCIAL INSTRUMENTS (continued)

Interest rate risk (continued)

PARENT

AS AT 30 JUNE 2011	Floating interest rate	Fixed interest rate repricing : Less than 3 months	Between 3 months & 6 months	Between 6 months & 12 months	Between 1 year & 5 years	After 5 years	Non interest bearing	Total carrying value per Balance sheet	Weighted average effective interest rate
	$m	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**%**
Assets									
Cash and cash equivalents	161.8	-	-	-	-	-	184.9	346.7	2.21
Due from other financial institutions	-	-	-	-	-	-	200.9	200.9	-
Financial assets held for trading	41.8	3,864.1	426.8	-	-	-	-	4,332.7	5.15
Financial assets available for sale	19.0	2,315.5	-	0.1	0.1	-	-	2,334.7	5.80
Financial assets held to maturity	-	69.7	-	-	-	-	-	69.7	5.13
Loans and other receivables	26,521.8	5,538.0	1,104.6	1,928.4	4,488.8	110.0	35.0	39,726.6	7.58
Derivatives	-	-	-	-	-	-	42.2	42.2	-
Total financial assets	26,744.4	11,787.3	1,531.4	1,928.5	4,488.9	110.0	463.0	47,053.5	-
Liabilities									
Due to other financial institutions	-	-	-	-	-	-	214.6	214.6	-
Deposits	10,860.3	16,645.8	6,208.9	2,972.8	745.0	-	93.2	37,526.0	4.87
Notes payable	-	449.9	127.0	-	-	-	-	576.9	5.17
Loans payable to securitisation trusts	5,177.4	462.9	308.0	593.2	1,195.0	0.5	1.0	7,738.0	7.47
Derivatives	-	-	-	-	-	-	152.4	152.4	-
Reset preference shares	-	-	-	-	89.5	-	-	89.5	6.16
Subordinated debt	-	484.9	-	-	-	-	-	484.9	7.61
Total financial liabilities	16,037.7	18,043.5	6,643.9	3,566.0	2,029.5	0.5	461.2	46,782.3	-

FINANCIAL INSTRUMENTS (continued)

Interest rate risk (continued)

PARENT

AS AT 30 JUNE 2010	Floating interest rate	Fixed interest rate repricing : Less than 3 months	Between 3 months & 6 months	Between 6 months & 12 months	Between 1 year & 5 years	After 5 years	Non interest bearing	Total carrying value per Balance sheet	Weighted average effective interest rate
	$m	**$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	69.8	2,964.9	883.9	67.7	-	-	-	3,986.3	5.02
Financial assets available for sale	-	2,039.3	-	-	-	-	-	2,039.3	5.63
Financial assets held to maturity	-	97.4	-	-	-	-	-	97.4	5.85
Loans and other receivables	21,763.7	5,448.7	1,280.1	2,502.5	5,164.3	18.3	-	36,177.6	7.40
Derivatives	-	-	-	-	-	-	130.8	130.8	-
Total financial assets	22,246.5	10,550.3	2,164.0	2,570.2	5,164.3	18.3	611.8	43,325.4	-
Liabilities									
Due to other financial institutions	-	-	-	-	-	-	194.3	194.3	-
Deposits	10,149.6	15,753.3	4,993.2	1,828.0	779.1	1.0	-	33,504.2	4.60
Notes payable	-	306.3	449.8	400.3	-	-	-	1,156.4	4.99
Loans payable to securitisation trusts	4,077.6	285.5	323.8	581.4	1,138.4	-	-	6,406.7	7.46
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	14,227.2	16,738.8	5,766.8	2,809.7	2,007.0	1.0	414.6	41,965.1	-

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.

CONSOLIDATED

As at 30 June 2011

	Quoted market price Level 1	Valuation technique - market observable inputs Level 2	Valuation technique - non market observable inputs Level 3	Total
Financial assets				
Trading book investments	-	4,701.4	-	4,701.4
Available for sale investments	-	452.1	-	452.1
Derivative instruments	-	9.3	-	9.3
Listed investments and unlisted equity investments	118.4	-	5.0	123.4
	118.4	5,162.8	5.0	5,286.2
Financial liabilities				
Derivative instruments	-	132.0	-	132.0
	-	132.0	-	132.0

As at 30 June 2010

	Quoted market price Level 1	Valuation technique - market observable inputs Level 2	Valuation technique - non market observable inputs Level 3	Total
Financial assets				
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	4,717.8	4.4	4,829.5
Financial liabilities				
Derivative instruments	-	263.2	-	263.2
	-	263.2	-	263.2

FINANCIAL INSTRUMENTS (continued)

PARENT

As at 30 June 2011

	Quoted market price Level 1	Valuation technique - market observable inputs Level 2	Valuation technique - non market observable inputs Level 3	Total
Financial assets				
Trading book investments	-	4,379.9	-	4,379.9
Available for sale investments	-	330.0	-	330.0
Derivative instruments	-	42.2	-	42.2
Listed investments and unlisted equity investments	-	-	3.5	3.5
	-	4,752.1	3.5	4,755.6
Financial liabilities				
Derivative instruments	-	152.4	-	152.4
	-	152.4	-	152.4

As at 30 June 2010

	Quoted market price Level 1	Valuation technique - market observable inputs Level 2	Valuation technique - non market observable inputs Level 3	Total
Financial assets				
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 company will report a profit or loss for the period.

Almost all of the company's 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 level 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 $592.5 million (2010: $650.0 million) and Euro Commercial Paper of $162.4 million (2010: $240.0 million).

FINANCIAL INSTRUMENTS (continued)

Reconciliation of Level 3 fair value movements

CONSOLIDATED

As at 30 June 2011

	As at 30 June 2010	Purchases	Sales	As at 30 June 2011
	$m	$m	$m	$m
Fair value assets				
Listed investments and unlisted equity investments	4.4	0.6	-	5.0
Total fair value assets	4.4	0.6	-	5.0

As at 30 June 2010

	As at 30 June 2009	Purchases	Sales	As at 30 June 2010
	$m	$m	$m	$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 2011

	As at 30 June 2010	Purchases	Sales	As at 30 June 2011
	$m	$m	$m	$m
Fair value assets				
Listed investments and unlisted equity investments	3.0	0.5	-	3.5
Total fair value assets	3.0	0.5	-	3.5

As at 30 June 2010

	As at 30 June 2009	Purchases	Sales	As at 30 June 2010
	$m	$m	$m	$m
Fair value assets				
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.

43. DERIVATIVE FINANCIAL INSTRUMENTS

The group 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 group 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 2011 financial year the consolidated entity recognised a gain of $0.7m (2010: a loss of $33.9m) due to hedge ineffectiveness.

Value of derivatives as at 30 June

	Consolidated 2011				Consolidated 2010			
	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)
Interest Rate Swaps	5,500.8	5.2	(5.3)	(0.1)	531.1	1.6	(4.1)	(2.5)
Foreign Exchange Contracts	39.7	0.4	(0.4)	-	54.2	0.4	(0.4)	-
Derivatives	5,540.5	5.6	(5.7)	(0.1)	613.0	2.0	(4.8)	(2.8)
Derivatives held as fair value hedges								
Interest Rate Swaps	64.4	0.2	(1.5)	(1.3)	48.2	0.3	(0.8)	(0.5)
Embedded Derivatives	6.5	0.4	(0.4)	-	4.9	0.7	-	0.7
Derivatives	70.9	0.6	(1.9)	(1.3)	53.1	1.0	(0.8)	0.2
Derivatives held as cash flow hedges								
Cross Currency Swaps	353.3	-	(60.0)	(60.0)	485.4	-	(54.6)	(54.6)
Interest Rate Swaps	9,496.6	3.1	(64.4)	(61.3)	9,913.2	4.4	(203.4)	(199.0)
Derivatives	9,849.9	3.1	(124.4)	(121.3)	10,398.6	4.4	(258.0)	(253.6)
Total derivatives	15,461.3	9.3	(132.0)	(122.7)	11,064.7	7.4	(263.6)	(256.2)

	Parent 2011				Parent 2010			
	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)
Interest Rate Swaps	19,144.2	40.0	(70.7)	(30.7)	12,910.4	126.3	(28.2)	98.1
Foreign Exchange Contracts	39.7	0.4	(0.4)	-	54.2	0.4	(0.4)	-
Derivatives	19,183.9	40.4	(71.1)	(30.7)	12,992.3	126.7	(28.9)	97.8
Derivatives held as fair value hedges								
Interest Rate Swaps	64.4	0.1	(1.5)	(1.4)	48.2	0.2	(0.7)	(0.5)
Derivatives	64.4	0.1	(1.5)	(1.4)	48.2	0.2	(0.7)	(0.5)
Derivatives held as cash flow hedges								
Interest Rate Swaps	8,846.9	1.7	(79.8)	(78.1)	9,215.0	3.9	(190.7)	(186.8)
Derivatives	8,846.9	1.7	(79.8)	(78.1)	9,215.0	3.9	(190.7)	(186.8)
Total derivatives	28,095.2	42.2	(152.4)	(110.2)	22,255.5	130.8	(220.3)	(89.5)

DERIVATIVE FINANCIAL INSTRUMENTS (continued)

As at 30 June hedged cash flows are expected to occur and affect the income statement as follows:

CONSOLIDATED

	Within 1 year	1 to 3 years	3 to 8 years	Over 8 years
2011	$ m	$ m	$ m	$ m
Cash inflows (Assets)	581.7	346.5	91.4	48.4
Cash outflows (Liabilities)	(643.6)	(420.4)	(101.3)	(48.5)
Net cash inflow	(61.9)	(73.9)	(9.9)	(0.1)
Income statement	(65.0)	(33.4)	(9.1)	(0.1)
2010				
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)

PARENT

	Within 1 year	1 to 3 years	3 to 8 years	Over 8 years
2011	$ m	$ m	$ m	$ m
Cash inflows (Assets)	404.0	161.1	85.5	48.4
Cash outflows (Liabilities)	(427.7)	(192.1)	(93.6)	(48.5)
Net cash inflow	(23.7)	(31.0)	(8.1)	(0.1)
Income statement	(53.5)	(28.1)	(7.3)	(0.1)
2010				
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)

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

	Consolidated		Parent	
	2011	2010	2011	2010
	$ m	$ m	$ m	$ m
Interest income	13.6	12.1	9.1	7.8
Interest expense	(14.7)	(44.5)	(13.9)	(43.6)
Other operating expenses	1.8	(1.7)	1.8	(1.7)
	0.7	(34.1)	(3.0)	(37.5)
Taxation	(0.2)	10.2	0.9	11.2
Net gain on cash flow hedges reclassified to the income statement	0.5	(23.9)	(2.1)	(26.3)

During 2011 the group recognised a nil gain/loss on fair value hedges (2010: loss of $0.3m), due to hedge ineffectiveness. For hedges that are marked to market and not in a hedge relationship, a gain of $0.8m (2010: loss of $0.1m) has been recognised.

44. COMMITMENTS AND CONTINGENCIES

(a) Commitments

The following are outstanding expenditure and credit related commitments as at 30 June 2011. 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 17 years remaining.

	Consolidated		Parent	
	2011	2010	2011	2010
	$m	$m	$m	$m
Future minimum rentals payable under non-cancellable operating leases as at 30 June:				
Not later than 1 year	105.2	90.1	104.9	89.9
Later than 1 year but not later than 5 years	186.7	171.2	186.0	170.3
Later than 5 years	220.4	124.7	220.4	124.6
	512.3	386.0	511.3	384.8

Operating lease commitments - group as lessor
The group has entered into commercial property leases on the group's surplus office space. These non-cancellable leases have remaining terms of between 2 and 5 years. All leases have a clause to enable upward revision of the rental charge on a regular basis according to prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases as at 30 June				
Not later than 1 year	1.5	1.5	1.5	1.5
Later than 1 year but not later than 5 years	2.3	2.8	2.3	2.8
	3.8	4.3	3.8	4.3
Other expenditure commitments				
Sponsorship commitments not paid as at balance date, payable not later than one year	3.7	4.8	3.7	4.6
Credit related commitments				
Gross loans approved, but not advanced to borrowers	991.2	993.5	901.2	921.8
Credit limits granted to clients for overdrafts and credit cards				
Total amount of facilities provided	9,644.2	8,744.9	9,642.1	9,151.8
Amount undrawn at balance date	3,514.4	3,144.8	3,514.4	3,145.1

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 2011.

Actual Return	**Consolidated 2011 $ m**	**Consolidated 2010 $ m**
Actual return on Plan assets	0.9	1.4
Principal Actuarial Assumptions		
Discount rate	4.6%pa	4.5% pa
Expected rate of return on Plan assets	7.5%pa	7.5% pa
Expected salary increase rate	4.0% pa	4.0% pa Certified staff 4.5% increase at 1 December 2010)

Reconciliation of the Present Value of the Defined Benefit Obligation

	$ m	**$ m**
Present value of defined benefit obligations at beginning of period	**8.0**	**11.0**
Add Current service cost	0.3	0.6
Add Interest cost	0.4	0.6
Add contributions by plan participants	0.1	0.2
Add Actuarial gains/(losses)	(0.1)	1.5
Less Benefits paid	1.6	4.6
Less Taxes, premiums and expenses paid	0.1	0.3
Add Transfers in	-	(0.9)
Less Contributions to accumulation section	-	0.1
Present value of defined benefit obligations at end of the year	**7.0**	**8.0**

Reconciliation of the Fair Value of Plan Assets

Fair value of Plan assets at beginning of period	**9.9**	**13.2**
Add Expected return on plan assets	0.7	1.0
Add Actuarial gains/(losses)	0.2	0.5
Add Employer contributions	0.2	0.9
Add Contributions by plan participants	0.1	0.2
Less Benefits paid	1.6	4.6
Less Taxes, premiums and expenses paid	0.1	0.3
Add Transfers in	-	(0.9)
Less Contributions to accumulation section	-	0.1
Fair value of Plan assets at end of the year	**9.4**	**9.9**

COMMITMENTS AND CONTINGENCIES (continued)

Reconciliation of the Assets and Liabilities Recognised in the Balance Sheet

	Consolidated 2011 $ m	Consolidated 2010 $ m
Defined Benefit Obligation ^	7.0	8.0
Less Fair value of Plan assets	9.4	9.9
(Surplus)	(2.4)	(1.9)
Net superannuation (asset) / liability	**(2.4)**	**(1.9)**

^ *includes contributions tax provision*

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

	Consolidated 2011 $ m	Consolidated 2010 $ m
Net superannuation (asset) at beginning of period	**(1.9)**	**(2.3)**
Add Amount recognised in other comprehensive income	(0.3)	1.3
Less Employer contributions	0.2	0.9
Net superannuation (asset) at 30 June	**(2.4)**	**(1.9)**

Expense Recognised in Income Statement

	Consolidated 2011 $ m	Consolidated 2010 $ m
Service cost	0.3	0.6
Interest cost	0.4	0.6
Expected return on assets	(0.7)	(1.0)
Superannuation expense	**-**	**0.2**

Amount recognised directly in Other Comprehensive Income

	Consolidated 2011 $ m	Consolidated 2010 $ m
Actuarial (gain) / loss	(0.3)	1.0

Cumulative amount recognised directly in Other Comprehensive Income

	Consolidated 2011 $ m	Consolidated 2010 $ m
Actuarial (gain) / loss	4.8	5.1

Plan Assets

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

	Consolidated 2011 $ m	Consolidated 2010 $ m
Australian Equity	38%	41%
International Equity	28%	25%
Fixed Income	12%	11%
Property	9%	8%
Alternatives	6%	9%
Cash	7%	6%

COMMITMENTS AND CONTINGENCIES (continued)

Contribution Recommendations

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	7.5% pa
Expected salary increase rate	4.0% pa

Nature of Asset

Bendigo and Adelaide Bank has recognised an asset in the Balance Sheet (under Other assets) in respect of its defined benefit superannuation arrangements. If a surplus exists in the Plan, Bendigo and Adelaide Bank may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the Plan’s actuary.

The Bendigo and Adelaide Bank Staff Superannuation Plan, a sub-plan of the Spectrum Super, 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

	2011	**2010**
	$ m	**$ m**
Present value of defined benefit obligation	7.0	8.0
Fair value of Plan assets	9.4	9.9
(Surplus) / deficit in Plan	(2.4)	(1.9)
Experience adjustments (gain)/loss - Plan assets	(0.2)	(0.4)
Experience adjustments (gain)/loss - Plan liabilities	(0.1)	1.0

Expected Contributions

Financial year ending	**2012**
	$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. In May 2010 one group proceeding commenced, in respect of investors in 2 schemes against a number of parties including the Bank. Since 30 June 2011 a further seven have commenced in respect of several other schemes. None of the proceedings allege wrongdoing by the Bank. The litigation will continue to be assessed and managed on an ongoing basis.

(d) Contingent liabilities and contingent assets

	Consolidated		Parent	
	2011	2010	2011	2010
	$m	$m	$m	$m
Contingent liabilities				
Guarantees				
The economic entity has issued guarantees on behalf of clients	162.0	159.2	159.2	156.4
Other				
Documentary letters of credit & performance related obligations	15.3	20.3	15.1	20.1

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 2011, the economic entity does not have any contingent assets.

45. STANDBY ARRANGEMENTS AND UNCOMMITTED CREDIT FACILITIES

	Consolidated		Parent	
	2011	2010	2011	2010
	$m	$m	$m	$m
Amount available:				
Offshore borrowing facility	7,455.7	9,365.5	7,455.7	9,365.5
Domestic note program	5,750.0	5,500.0	5,000.0	5,000.0
Amount utilised:				
Offshore borrowing facility	162.4	239.8	162.4	239.8
Domestic note program	1,156.0	1,052.0	1,041.0	914.0
Amount not utilised:				
Offshore borrowing facility	7,293.3	9,125.7	7,293.3	9,125.7
Domestic note program	4,594.0	4,448.0	3,959.0	4,086.0

The Parent has a $US 5,000 million Euro Commercial Paper program of which $US 174.3m (2010: $US 204.9m) was drawn down as at 30 June 2011, and a $US 3,000 million Euro Medium Term Note program of which there were no draw downs (2010: EURO nil). As at 30 June 2011 the Parent has a $5,000 million Domestic Note Program of which $1041.0 million (2010: $914.0m) was issued and the consolidated group has an additional $750.0 million Domestic Note Program through its subsidiary Rural Bank Limited, of which $115.0m (2010: $138.0m) was issued.

46. FIDUCIARY ACTIVITIES

The group 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 group's statement of financial position are as follows:

	Consolidated	
	2011	2010
	$m	$m
Funds under trusteeship	2,780.9	2,772.8
Assets under management	1,859.0	1,932.9
Funds under management	1,365.1	1,403.4

As an obligation arises under each type of duty the amount of funds has been included where that duty arises. This may lead to the same funds being shown more than once where the group acts in more than one capacity in relation to those funds 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.

47. EVENTS AFTER BALANCE SHEET DATE

On the 28 July 2011, the Bank entered into an agreement to lease premises to be constructed at 80 Grenfell Street, Adelaide, which is expected to be completed in November 2013. The Bank has agreed to an initial rental commitment estimated at $9.9 million exclusive of GST in the first year and a minimum lease term of 12 years.

On 8 August 2011 the Bank declared a final dividend, details of which are disclosed in the directors' report and in Note 10.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the group, the results of those operations, or the state of affairs of the group in subsequent financial years.

DIRECTORS' DECLARATION

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

In the opinion of the directors:

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

  (i) giving a true and fair view of the Company's and the Bendigo and Adelaide Bank group's financial position as at 30 June 2011 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 2011.

On behalf of the board

Robert Johanson

Robert Johanson
Chairman

Mike Hirst
Managing Director

6 September 2011

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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 sheets as at 30 June 2011, the income statements, statements of comprehensive income, the statements of changes in equity and the cash flow statements for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2.2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 the auditor's 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, the auditor considers 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 complied with 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.

Opinion

In our opinion:

a. 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 company's and consolidated entity's financial positions as at 30 June 2011 and of their performance for the year ended on that date; and
   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.2.

Report on the remuneration report

We have audited the Remuneration Report included in pages 62 to 81 of the directors' report for the year ended 30 June 2011. 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.

Opinion

In our opinion, the Remuneration Report of Bendigo and Adelaide Bank Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

T M Dring
Partner

6 September 2011

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 8 August 2011.

2. AUDIT COMMITTEE

As at the date of the Directors' Report the group 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 11 August 2011 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 11 August 2011 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	37,191	3,667	3,155	3,307	3,170
1,001 - 5,000	35,557	964	51	67	83
5,001 - 10,000	6,107	101	1	6	4
10,001 - 100,000	3,240	25	3	3	3
100,001 and over	90	3	1	-	-
Number of Holders	82,185	4,760	3,211	3,383	3,260
Securities on Issue	360,342,272	6,762,313	900,000	894,574	1,000,000

6. MARKETABLE PARCEL

Based on the closing price of $8.26 on 11 August 2011 the number of holders with less than a marketable parcel of the Company's main class of securities (Ordinary Shares), as at 11 August 2011 was 7,707.

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 Ordinary Fully Paid shares, including the number of shares each holds and the percentage of capital that number represents as at 11 August 2011 are:

FULLY PAID ORDINARY SHARES		Number of fully paid	Percentage held of
Rank	**Name**	**Ordinary Shares**	**Issued Ordinary Capital**
1	HSBC Custody Nominees (Australia) Limited	53,105,954	14.47%
2	JP Morgan Nominees Australia Limited	30,014,399	8.18%
3	National Nominees Limited	27,654,433	7.53%
4	Citicorp Nominees Pty Limited	8,758,611	2.39%
5	Milton Corporation Limited	5,709,709	1.56%
6	Cogent Nominees Pty Limited	4,008,597	1.09%
7	Queensland Investment Corporation	3,500,596	0.95%
8	JP Morgan Nominees Australia Limited <Cash Income A/C>	2,647,252	0.72%
9	AMP Life Limited	2,437,341	0.66%
10	RBC Dexia Investor Services Australia Nominees Pty Limited <GSAM A/C>	1,801,966	0.49%
11	Australian Reward Investment Alliance	1,019,330	0.28%
12	Invia Custodian Pty Limited <GSJBW Managed A/C>	764,967	0.21%
13	Carlton Hotel Limited	752,500	0.20%
14	Leesville Equity Pty Ltd	678,065	0.18%
15	RBC Dexia Investor Services Australia Nominees Pty Limited <MLCI A/C>	673,206	0.18%
16	BKI Investment Company Limited	610,400	0.17%
17	Yarabie Estates Pty Ltd <Yarabie Super Fund A/C>	510,000	0.14%
18	Cogent Nominees Pty Limited <SMP Accounts>	446,998	0.12%
19	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	441,806	0.12%
20	Merrill Lynch (Australia) Nominees Pty Limited	362,675	0.10%
		145,898,805	39.74%

BBS Nominees Pty Ltd, trustee for the Bendigo and Adelaide Employee Share Plan and Tasmanian Perpetual Trustees Limited, trustee for the Employee Share Grant Scheme, held a combined total of 6,762,313 unquoted shares as at the date of this report. These shares have not been included in the above table, but are included in total of 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 11 August 2011 are:

FULLY PAID PREFERENCE SHARES		Number of fully paid	Percentage held of
Rank	**Name**	**Preference Shares**	**Issued Preference Capital**
1	JP Morgan Nominees Australia Limited	181,057	20.12%
2	Citicorp Nominees Pty Limited	23,475	2.61%
3	JP Morgan Nominees Australia Limited <Cash Income A/C>	19,574	2.17%
4	RBC Dexia Investor Services Australia Nominees Pty Limited <GSENIP A/C>	13,256	1.47%
5	Cogent Nominees Pty Limited	7,744	0.86%
6	National Nominees Limited	4,500	0.50%
7	Dylac Pty Ltd	4,000	0.44%
8	Mr Trevor John Stafford & Mrs Lindley Joy Stafford <Stafford Family S/F A/C>	3,788	0.42%
9	Royal Queensland Bush Children's Health Scheme	3,000	0.33%
10	The Trustees of the Diocese of Tasmania	3,000	0.33%
11	Mr Jeffrey Frederick Edwards & Mrs June Rose Edwards	2,794	0.31%
12	World Wide Fund for Nature Australia	2,660	0.30%
13	J & S McKinnon Foundation Pty Ltd <McKinnon Fam Foundation A/C>	2,627	0.29%
14	Green Super Pty Ltd <Ross Knowles Super Fund A/C>	2,531	0.28%
15	Uniting Church in Australia Property Trust (WA) <UCIF A/C>	2,500	0.28%
16	James Bostock & Henry Taylor & RSL Custodian Pty Ltd <Blacktown RSL S/B Cap A/C>	2,474	0.27%
17	Mr Shaun Eric Sargent & Mr John Richard Green <The Friends School D/F A/C>	2,325	0.26%
18	Mr Graeme Edward Buckingham & Mrs Else Margrethe Buckingham <Buckingham S/F A/C>	2,046	0.23%
19	Mrs Rita Marion Andre	2,000	0.22%
20	Bruttown Pty Limited	2,000	0.22%
		287,351	31.91%

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 11 August 2011 are:

FULLY PAID RESET PREFERENCE SHARES		Number of fully paid	Percentage held of Issued
Rank	Name	Reset Preference Shares	Reset Preference Capital
1	RBC Dexia Investor Services Australia Nominees Pty Limited <GSENIP A/C>	21,705	2.43%
2	Art Gallery of NSW Foundation	17,250	1.93%
3	MF Custodians Ltd	11,839	1.32%
4	Cogent Nominees Pty Limited	8,131	0.91%
5	JP Morgan Nominees Australia Limited	7,442	0.83%
6	Questor Financial Services Limited <TPS RF A/C>	7,085	0.79%
7	MF Custodians Ltd	7,055	0.79%
8	Edsgear Pty Limited	6,000	0.67%
9	The Synod of the Diocese of Adelaide of the Anglican Church of Australia Inc <No2 A/C>	6,000	0.67%
10	CPA Australia Ltd	4,835	0.54%
11	St Hedw ig Village	4,753	0.53%
12	Ritossa Holdings Pty Ltd <L Ritossa Furn PL S/F A/C>	4,472	0.50%
13	Mr Ian William Bailey & Mrs Gloria Jean Bailey <Bailey Family Super Fund A/C>	4,000	0.45%
14	Malvern Development Co Pty Ltd	4,000	0.45%
15	National Nominees Limited	4,000	0.45%
16	Dr Spencer David <David Family Inv Fund A/C>	3,860	0.43%
17	UBS Wealth Management Australia Nominees Pty Ltd	3,581	0.40%
18	Baker Custodian Corporation	3,390	0.38%
19	The Invergow rie Foundation	3,350	0.37%
20	Austymca Nominees Pty Ltd <YMCA Super Fund A/C>	3,200	0.36%
		135,948	15.20%

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 11 August 2011 are:

FULLY PAID STEP UP PREFERENCE SHARES		Number of fully paid	Percentage held of Issued
Rank	Name	Step Up Preference Shares	Step Up Preference Capital
1	JP Morgan Nominees Australia Limited	52,335	5.23%
2	National Nominees Limited	42,386	4.24%
3	RBC Dexia Investor Services Australia Nominees Pty Limited <MLCI A/C>	36,881	3.69%
4	Returned Services League Of Australia (Queensland Branch)	10,000	1.00%
5	JGW Investments Pty Ltd	7,993	0.80%
6	Elecnet (Aust) Pty Ltd <Electrical Ind Sev Sch A/C>	5,530	0.55%
7	Questor Financial Services Limited <TPS RF A/C>	5,440	0.54%
8	Wal Investments Pty Ltd	4,605	0.46%
9	Ballabradach Pty Ltd	4,474	0.45%
10	HSBC Custody Nominees (Australia) Limited	4,326	0.43%
11	Rogand Pty Ltd <Rogand Unit A/C>	4,220	0.42%
12	Peroda Nominees Pty Limited <Berman Super Fund A/C>	4,052	0.41%
13	Aileendonan Investments Pty Ltd	4,000	0.40%
14	Baker Custodian Corporation	3,893	0.39%
15	The Trustees Of The Diocese Of Tasmania	3,670	0.37%
16	Labaton Pty Ltd	3,548	0.35%
17	Mr John Baum Pike & Mrs Lynette Carol Pike <Pike Super Fund Account>	3,150	0.32%
18	Motel Management Services Pty Limited <Belgravia A/C>	3,000	0.30%
19	Shore Nominees Limited	3,000	0.30%
20	Mr Brett Mc Pherson Tulloch	3,000	0.30%
		209,503	20.95%

9. VOTING RIGHTS

The holders of ordinary shares are entitled to vote at meetings of shareholders in the first instance by a show of hands of the shareholders present and entitled to vote. If a poll is called, each shareholder has one vote for each fully paid share held.

Holders of partly paid shares have a vote which carries the same proportionate value as the proportion that the amount paid up on the total issue price bears to the total issue price of the share.

In the case of an equality of votes the Chairman has, on both a show of hands and at a poll, a casting vote in addition to the vote to which the Chairman may be entitled as a shareholder, proxy, attorney or duly appointed representative of a shareholder.

Bendigo and Adelaide Bank Limited
ABN 11 068 049 178

Registered Head Office
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PO Box 480
Bendigo VIC
Australia 3552

Telephone: 03 5485 7911
Facsimile: 03 5485 7000
Email: share.register@bendigobank.com.au

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

Contact Us
Customer Help Centre
(Head office inquiries)
1300 361 911 (local call)
8.30am – 7.30pm weekdays
Australian Eastern Standard Time/
Australian Eastern Daylight Time (AEST/AEDT)

Bendigo Bank
(Bendigo Bank customer inquiries)
1300 BENDIGO (1300 236 344)
8.00am – 8.00pm weekdays
9.00am – 4.00pm Saturday and Sunday
(Local Hours)

Adelaide Bank
13 22 20 (within SA) or
1300 652 220 (outside SA)
8.00am – 8.00pm weekdays
9.00am – 6.00pm Saturday
10.00am – 6.00pm Sunday
Australian Central Standard Time/Australian Central Daylight Savings Time (ACST/ACDST)

24-hour Phone Bank
Bendigo Bank customers
1300 BENDIGO (1300 236 344)
Adelaide Bank customers
08 8300 7000 or 1300 300 893
(outside metropolitan SA)

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

Shareholder Inquiries
Share Registry
1800 646 042

Websites
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RECYCLED RESPONSIBLE FORESTRY PRACTICES ACID FREE ELEMENTAL CHLORINE FREE ISO 14001 EMS

In an effort to reduce our paper consumption and impact on the environment, this Annual Review has been printed on recycled paper using environmentally friendly inks.

Bendigo and Adelaide Bank

Full Annual Report **2011**