

Bendigo Employee Share Ownership Plan

About this Offer Document

This Offer Document explains the Bendigo Employee Share Ownership Plan ("the Plan"). This Plan allows you to receive an interest-free loan to acquire ordinary shares in Bendigo Bank Limited ("Bendigo").

This Offer Document explains how the Plan works, and how it will affect you.

It is set out in four parts:

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Part 1 - The plan in a ‘nutshell’.

Why has the Plan been established?

The purpose of the Plan is to enable you to become a shareholder in Bendigo and to provide an additional incentive to improve Bendigo’s profitability.

What is so special about the Plan?

Members of the public who buy Bendigo shares must pay for the shares with their own funds. However, you are being offered a special privilege: a risk-free, interest-free loan. This means that you are able to acquire a specified number of Bendigo shares without requiring any payment by you, now or later.

If the market value of your shares increases (and there are no circumstances of serious misconduct causing cessation of your employment), then you will make a profit. Even if the market value falls, you will not make any loss while your shares remain covered by the Plan because the Plan provides protection. The only way you could suffer a loss from buying the shares is if you voluntarily pay off part or all of the loan before it is due, or if you voluntarily pay a further sum of money to acquire more shares under a rights issue and there is a fall in the value of the shares.

What do I do next?

Before deciding whether to participate in the Plan, you should read the rest of this Offer Document (in addition to the documents accompanying this Offer Document). A summary of the Rules of the Plan is contained in Parts 2 and 3 of this Offer Document . After reading all the information provided, and you then wish to participate, you should complete and lodge the Plan Application form before the closing date.

Advice

Any advice given by any representative of Bendigo in connection with this offer is general advice only. Employees should consider obtaining their own financial product advice from an independent person who is licensed by ASIC to give such advice.

Plan Rules

During the period that this offer is open, or at any time following that period, employees may request a copy of the rules free of charge by contacting the Bendigo Bank Share Registry on Extensions 9523 or 9549 or 1800 646 042. Bendigo will ensure that any person who requests a copy of the Rules will receive them within a reasonable time after their request

Share Price

Bendigo Bank undertakes that during the period that this offer is open, or at any time following that period, it will make available to employees, by confirmation over the telephone, the current market price of Bendigo shares. To obtain the current market price of Bendigo shares, employees should contact the Bendigo Bank Share Registry at the telephone numbers referred to above.

The acquisition price for these shares will be calculated on the date of allotment and will be equal to the weighted average sale price of all trades of Bendigo Bank shares over the five trading days of the Australian Stock Exchange prior to the day of allotment.

As an example, if the acquisition price were calculated at the date of this offer, (28 July 2003) the price would be \$8.10. However, it should be noted that the trading price of the shares varies from day to day and the acquisition price could be higher or lower than this example.

Part 2 - “How does the plan work?”

Step-by-step

Acquisition of Shares

Step 1. Offer

You are invited by Bendigo to subscribe for Bendigo shares under the Plan, and you are invited to apply for a loan to pay for those shares. The loan will be provided by the company administering the Plan, which is called BBS Nominees Pty Ltd ("BBS").

Step 2. Plan Application

If you want to participate in the Plan (ie. To receive a loan to acquire Bendigo shares), you need to:

- complete and sign the Plan Application form which is enclosed with this Offer Document; and

- send this form to reach the Share Registrar of Bendigo by the closing date specified on the Plan Application form.

Step 3. Issue of Shares

As soon as practicable after the closing date specified on the Plan Application Form, Bendigo will allot the shares for which you apply ("Plan Shares") in your name. If Bendigo does not accept your application, it will notify you accordingly.

Ownership of Shares

Step 4. Statements

Bendigo will give the holding statements for your Plan Shares to BBS while your loan is outstanding, although you will receive an annual statement detailing the number of shares held and the amounts outstanding on the loan.

Dividend Statements on Plan Shares will be given to BBS by Bendigo. Copies of the dividend statements will be kept by BBS and the originals will be forwarded to you.

Step 5. Dividends

From time to time, Bendigo may pay dividends to all ordinary shareholders. Dividends on your Plan Shares will generally be paid by Bendigo first to BBS, and BBS will pay a portion of the dividend (called the "Tax Reimbursement Amount") to you, and apply the balance towards repayment of your loan. The Tax Reimbursement Amount will cover any tax you may have to pay on the dividend (after allowing for any franking credits which may apply to the dividend).

Step 6. Bonus Shares

It is possible that Bendigo may issue bonus shares to all ordinary shareholders. While your loan remains outstanding, any bonus shares on Plan Shares will be treated in the same way as those Plan Shares – that is, the holding statement will be issued to BBS, and dividends will be applied, in the same way as mentioned in Steps 4 and 5.

Step 7. Rights Issues

From time to time, Bendigo may issue to all ordinary shareholders rights to acquire more shares upon the payment of a further sum of money. If at that time you wish to acquire more shares, you will be required to use your own money (ie. There will be no loan provided under the Plan for this purpose). Any such shares you acquire will not be subject to the restrictions of the Plan. In other words, you may sell such shares even though you still have a loan outstanding on your Plan Shares, and dividends will be paid directly to you rather than in reduction of your loan.

In some cases, you are able to sell such "rights" on the ASX. In this case, the "entitlement forms" will be issued to BBS, and BBS will invite you to exercise the rights by paying the further sum of money to acquire more shares. If you do not wish to do so, BBS will endeavour to sell your rights on the ASX, and apply the net proceeds of sale towards repayment of your loan.

Disposal of Shares

Step 8. Selling the Shares

If you want to sell any of your Plan Shares (including bonus shares on Plan Shares) while your loan remains outstanding, you must first repay the applicable portion of your loan. For example, if you want to sell 30% of the Plan Shares acquired with the loan, then you must first repay 30% of the loan outstanding. In that case, provided that the number of Plan Shares you wish to sell is greater than the minimum parcel specified by Bendigo (currently 100), BBS will then direct Bendigo to stop paying dividends on those shares to BBS, and instead to pay dividends direct to you (just like other ordinary shareholders) Also, a holding statement in relation to those shares will be issued to you. Once the loan in respect of those shares is repaid, you will be able to sell those shares

You are not liable to pay any interest on your loan unless you sell or otherwise deal with your Plan Shares without first repaying the applicable portion of your loan.

Step 9. Cessation of Employment

If your loan has not been repaid by the time your employment with Bendigo (or any associated company of Bendigo) terminates, the applicable rules depend on the circumstances of your cessation of employment.

In normal circumstances, you will have 90 days after cessation of employment (or in the case of your death, your estate will have 6 months) to decide whether or not to pay off the loan and keep the shares. If you do not pay off the loan, then your shares may be sold to BBS (or BBS's nominee) at the election of you or BBS for their prevailing market value (or at minimum, the loan outstanding). For example, if your loan outstanding is \$600, and the prevailing market value of your Plan Shares (being the shares still subject to the selling restrictions of the Plan – refer Step 8 above) is \$1,000, you will be entitled to sell your shares for the full market value (\$1,000). BBS will first apply the sale price (\$1,000) to repay your loan outstanding (\$600), and pay you the surplus (\$400). But if your shares have fallen in value (say, to \$200), you will not suffer any loss. This is because BBS guarantees to buy your shares for at least the amount of your loan outstanding (\$600). BBS will then apply the sale price (\$600) to fully repay your loan outstanding (\$600).

In this way, so long as your loan on Plan Shares remains outstanding, you are protected from loss on those Plan Shares under the Plan.

In the exceptional case where your employment terminates in circumstances involving serious misconduct, certain forfeiture rules apply with the effect that you can only see your Plan Shares to BBS for the amount of your loan outstanding, even if the market value of those Plan Shares is greater than that amount.

Part 3 - “How will the plan affect me.”

Questions and Answers

1. What is "BBS"?

BBS is an abbreviation of "BBS Nominees Pty Ltd" which is the company established to administer the Plan. BBS will provide the loan to you for the purpose of purchasing your Plan Shares, and will ensure that you do not suffer any loss on the shares if they are still subject to the Plan at cessation of employment. The Board of Bendigo may replace BBS with some other person or entity to administer the Plan, but this would not affect your overall position. You would then have the same rights and responsibilities as regards the new administrator of the Plan.

2. Once I acquire shares, what documents will I receive?

Bendigo will issue a holding statement in respect of your Plan Shares to BBS. Updated holding statements will be issued periodically when share purchases or sales are transacted.

While your loan remains outstanding the holding statement for your Plan Shares will be retained by BBS.

As the recipient of a loan from BBS, you will receive a loan statement shortly after you acquire your Plan Shares. In addition, annual statements of your loan position will be forwarded to you.

At the time dividends are paid by Bendigo, you will be sent a statement of the amount of your dividend has been applied to repay your loan. You will also be advised of the amount credited to your nominated account to cover any tax on the dividend (refer Question 8 below).

3. What happens if I leave Bendigo?

In normal circumstances, you may elect within 90 days of leaving Bendigo (or any associated company of Bendigo), either to:

- (a) pay out your loan balance and retain ownership of the shares (you may later sell them if you wish); or
- (b) sell your shares to BBS (or BBS's nominee) for their prevailing market value (or for an amount equal to your loan outstanding if this is greater than the prevailing market value) and the loan balance will then be extinguished (no further payment is required from you), and you will be paid any surplus.

4. Can I pay off part or all of the loan at any time?

Yes, you can pay off part or all of the loan at any time. In the case of part payment of the loan balance, certain rules apply relating to the release of the shares. You should refer to Step 9 in Part 2 for further details.

5. Can I sell my Bendigo shares?

Yes, your Plan Shares can be sold at any time provided the loan in respect of those shares is first repaid. If only part of the loan has been repaid, a proportionate number of your Plan Shares (if that number is at least 100) can be sold. Again, you should refer to Step 9 in Part 2 for further details.

However, until your loan is repaid, your holding statement will be retained by BBS.

6. What are the risks (can I lose any money)?

Although share prices can fall as well as rise, the rules of the Plan protect you from any risk in respect of shares while they are subject to the Plan loan.

Of course, once you have paid off the loan, then you will personally be subject to any gain or loss resulting from the usual variations in the share market.

7. Do the shares have to be registered in my name?

Yes.

8. Why are part of future dividends paid to me?

Dividends on shares subject to the Plan are to be applied towards the reduction of loans with the exception that an amount (called the "Tax Reimbursement Amount" in the Plan Rules) will be paid directly to you. This amount is calculated to cover any possible tax liability on your dividends.

9. Will I participate in any bonus or rights issues made by Bendigo?

Yes. In the same way as any other ordinary shares in Bendigo, your Plan Shares will participate in any future bonus or rights issues.

But if rights are issued which can be sold on the ASX and you do not elect to pay a further sum to exercise the rights and acquire more shares, BBS will endeavour to sell your rights and apply the proceeds towards repaying your loan.

Also, any bonus shares which may be issued on Plan Shares will be subject to the same restrictions as apply to all Plan Shares.

10. Are administration fees payable?

There are no administration fees payable by you.

11. What other rights attach to Plan shares?

Save for those specific provisions in the Plan Rules, the rights attaching to Plan Shares are the same as apply to other ordinary shares in Bendigo

12. What happens if I don't apply for shares under this Plan?

This is a personal decision for you. If you do not apply by the closing date specified on the Plan Invitation form, you will not receive shares and a loan under the Plan. There are no other implications.

13. Will the Plan affect the terms of my employment?

No.

14. Will there be any further offers under the Plan?

A decision as to whether and when further offers are made under the Plan will be made by the Board of Bendigo taking into account the prevailing circumstances.

Part 4 - “How will the plan affect my tax bill.”

The tax comments below are a general guide only.

The taxation consequences of participating in the Plan may vary depending on your individual circumstances. Accordingly you may need to obtain your own advice of the taxation implications of the offer of shares under the Plan taking into account your own personal circumstances.

1. Acquisition of Shares

Under Australian tax laws employees are generally subject to income tax on any discount they receive on the acquisition of shares in their employer.

However you will not be treated as having received any discount on the acquisition of the shares under the Plan as it is proposed that the application price for the shares will equal the market value of the shares under the Tax Act, being the weighted average price of the shares in the 5 day period prior to the day the shares are issued to you.

Accordingly no income tax will be payable on the acquisition of shares under the Plan.

2. Interest Free Loan

No income tax will be payable on the interest free loan provided to you under the Plan.

3. Dividends

You will have to include the full amount of dividends paid on your shares in your tax return for the year in which the dividends are paid. This will include that part of the dividends which is not paid to you but instead applied to paying off the loan.

You will be advised whether or not dividends paid on your shares are franked dividends and, if so, the imputation credit. In simple terms a franked dividend confers a tax rebate to you as a shareholder in respect of tax paid by Bendigo on the profits it distributes. This means that, if Bendigo pays franked dividends, you will probably pay reduced or no tax on such dividends.

If the dividend is franked, the imputation credit, as well as the actual dividend, will have to be included in your tax return, but the credit can be claimed as a rebate to offset some or all of the tax payable by you on the dividend. If your marginal rate of tax is lower than the company tax rate, you may be entitled to a tax refund for the excess imputation credit.

This may be illustrated by an example. Suppose you received a franked dividend of \$70. In this case, the effect on your tax position would be as follows:

	\$
Amount of dividend paid	70.00
Imputation credit (at current company tax rate of 30%)	30.00
Increase in assessable income	100.00
Applicable tax (assuming you are on the top personal marginal tax rate of 47% plus the current 1.5% Medicare Levy)	48.50
Less tax rebate (equal to imputation credit)	(30.00)
Net increase in tax payable	18.50

The Plan Rules provide that, while there is a loan in respect of your shares, the after tax amount of dividends paid on your shares will be applied to reduce your loan. This means that, while your loan remains, the only amount you will receive from dividends paid on your shares will be an amount that is sufficient to enable you to pay any tax you may have to pay on the dividends. So, in the above example, there would be a net increase in your tax liability of \$18.50 which means that a portion of the dividend equal to \$18.50 will be paid to you cover this tax exposure. The remainder of the dividend equal to \$51.50 (\$70.00 - \$18.50) will reduce your loan balance.

While your loan is outstanding, your Plan Shares will not be eligible to participate in any dividend reinvestment plans so as to have your dividends applied to acquire future shares.

4. Sale of Shares

A capital gain or loss may arise when you sell your shares.

Generally a capital gain will arise where the sale proceeds exceed the cost base of the shares, and a capital loss will arise where the cost base of the shares exceed the sale proceeds. The cost base of the shares will generally equal the application price of the shares, being the market value of the shares at the time they are issued.

If you sell the shares for more than the acquisition price, tax will only be payable on 50% of the excess amount, provided you have held the shares for at least 12 months.

If you sell the shares for less than the acquisition price, you may incur a capital loss. A capital loss may be able to be offset against capital gains that arise in the same year of income or a later year.

5. Fringe benefits tax implications

Employers may be required to show the grossed up value of fringe benefits on the group certificates of their employees. While such amounts will not be taxed to the employees, the amount will be included in the income tests used to work out an employee's liability for a number of tax surcharges, levies and other income related obligations (eg superannuation surcharge or Medicare Levy surcharge).

Bendigo will not be required to pay fringe benefits tax on the acquisition of the shares by you or on the provision of an interest free loan to assist you in acquiring the shares. Accordingly no amount will be included on your group certificate in respect of the acquisition of shares or the provision of the loan to you.

Bendigo may however be required to pay fringe benefits tax in the future if your shares are transferred to BBS at a purchase price greater than the market value of the shares at the time of the transfer (eg on cessation of employment). If this were to occur, Bendigo may be required to include the taxable value of the fringe benefit (grossed up to include the fringe benefits tax payable by Bendigo) on your group certificate in the year in which the shares are transferred to BBS. The taxable value of the fringe benefit in these circumstances would be the difference between the purchase price paid by BBS and the market value of the shares at the time of the transfer.

If you have any queries in relation to the Plan or your participation in the Plan, Please contact the Share Registry .

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