

Bendigo Preference Shares Prospectus



An offer of \$100 million of Bendigo Preference Shares
Bendigo Bank may accept oversubscriptions for up to an additional \$25 million

Lead Manager



important information

This Prospectus

This Prospectus is dated 16 March 2005 and was lodged with ASIC on that date. The Expiry Date of this Prospectus is 16 April 2006. No BPS will be allotted or issued on the basis of this Prospectus after the Expiry Date. Neither ASIC nor ASX takes responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

BPS not deposits or liabilities of Bendigo Bank

Investments in BPS are not deposits or liabilities of Bendigo Bank and are not subject to the depositor protection provisions of Australian banking legislation. The investment performance of BPS is not guaranteed by Bendigo Bank or any other entity in the Group.

No investment advice

The information provided in this Prospectus is not financial product advice and has been prepared without taking into account your investment objectives, financial situation or particular needs. It is important that you read this Prospectus in its entirety before deciding whether to invest in BPS and consider the risk factors that could affect the performance of BPS or Bendigo Bank. You should carefully consider these factors in light of your personal circumstances (including financial and taxation issues) and seek professional guidance from your stockbroker, accountant or other professional adviser before deciding whether to invest in BPS. Some risk factors that you should consider are outlined in Section 6.

Offering restrictions

The Offer is available only to Australian residents receiving this Prospectus in Australia. The invitation to apply for BPS is not extended to investors located or resident outside Australia.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law. Potential investors in such jurisdictions who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. This Prospectus does not constitute an offer or invitation to potential investors to whom it would not be lawful to make such an offer or invitation.

This Prospectus does not constitute an offer of securities in the US or to any US Person (as defined in Regulation S under the US Securities Act of 1933). BPS have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the US or to, or for the account of, any US Person except in a transaction that is exempt from the registration requirements of the US Securities Act of 1933 and applicable US state securities laws.

Exposure Period

The Corporations Act prohibits the acceptance of Applications during the seven day period after the date this Prospectus was lodged with ASIC. This period is referred to as the Exposure Period and ASIC may extend this period by up to a further seven days. Applications received during the Exposure Period will not be accepted until after the expiry of that period. No preference will be conferred on Applications received during the Exposure Period.

Electronic Prospectus

This Prospectus may be viewed online at Bendigo Bank's web site at www.bendigobank.com.au. An Application Form will not be available during the Exposure Period. Application Forms will be made available from the Opening Date. Persons who access the electronic version of this Prospectus must ensure that they download and read this Prospectus in its entirety. The Offer in this Prospectus is only available to persons receiving the electronic version of this Prospectus in Australia. You must not pass on an Application Form to another person unless it is attached to a paper copy of this Prospectus or accompanies a complete and unaltered version of this Prospectus.

Printed Prospectus

Printed copies of this Prospectus are available free of charge by calling the Bendigo Bank BPS Information Line on 1300 656 793 between 9am-5pm Monday to Friday.

Applying for BPS

An Application can only be submitted on an original Application Form that accompanies this Prospectus (or on a printed Application Form accompanying the electronic Prospectus). Please refer to Section 4 for further details on how to apply for BPS.

Shareholders and Customers

Eligible Shareholders and Eligible Customers will be entitled to a preferential allocation of BPS. Please refer to Section 2.3 for details.

No withdrawal of Application

You cannot withdraw your Application once it has been lodged, except as permitted under the Corporations Act.

Trading in BPS

It is your responsibility to determine your Allocation before trading in BPS to avoid the risk of selling BPS you do not own. To assist you in determining your Allocation prior to the receipt of your holding statement, you may call the Bendigo Bank BPS Information Line on 1300 656 793. If you sell BPS before you receive confirmation of your Allocation, you do so at your own risk.

Defined words and expressions

Some words and expressions used in this Prospectus have defined meanings. These words and expressions are defined in Clause 9 of the Terms of Issue and in the Glossary.

Privacy

When making any Application, applicants will be required to provide personal information to Bendigo Bank and the Bendigo Bank Share Registry. Please refer to Section 4.10 for details about how your personal information will be treated.

Enquiries

If you have any questions in relation to the Offer, please call the Bendigo Bank BPS Information Line on 1300 656 793.

DISCLAIMER

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied upon as having been authorised by Bendigo Bank. Except as required by law, and only to the extent so required, neither Bendigo Bank nor any other person warrants the future performance of Bendigo Bank or any return on any investment made pursuant to this Prospectus.

TABLE OF CONTENTS

2	summary of key dates
3	chairman's letter
4	Bendigo Bank - highlights
5	BPS - investment highlights
6	Section 1 - offer summary
9	Section 2 - details of the offer
11	Section 3 - answers to key questions
16	Section 4 - how to apply for BPS
20	Section 5 - Bendigo Bank and its operations
28	Section 6 - investment risks
34	Section 7 - taxation implications
40	Section 8 - additional information
45	Section 9 - glossary
47	Appendix A – terms of issue
58	corporate directory
59	application form

summary of key dates

EVENT	DATE ¹
Opening Date	4 April 2005
Closing Date	29 April 2005
Allotment of BPS and Dividend Rate announced	6 May 2005
BPS commence trading on ASX on a deferred settlement basis	9 May 2005
Holding Statements dispatched	11 May 2005
BPS commence trading on ASX on a normal settlement basis	12 May 2005
First Dividend Payment Date*	15 September 2005
Second Instalment Payment Date (subject to a maximum 6 month extension by Bendigo)*	15 June 2006
First Reset Date	15 June 2015

¹ These dates (other than those marked with an asterisk) are indicative only and are subject to change. Bendigo Bank has the right, subject to agreement with the Lead Manager, to extend the Closing Date, to close the Offer early without notice or to withdraw the Offer at any time prior to the issue of BPS. Accordingly, investors are encouraged to submit their Application Forms as soon as possible after the Opening Date. If the Closing Date is extended, the subsequent dates (other than those marked with an asterisk) may also be extended.

The Company will apply to ASX within seven days after the date of this Prospectus for BPS to be quoted on ASX.

chairman's letter



Dear Investor

On behalf of the Directors, I am pleased to offer you the opportunity to invest in Bendigo Bank through an investment in Bendigo Preference Shares (BPS). Bendigo Bank intends to issue up to one million BPS at a Face Value of \$100 per BPS (or \$100 million). Bendigo Bank also reserves the ability to accept oversubscriptions for up to an additional 250,000 BPS (or \$25 million).

The BPS issue forms part of Bendigo Bank's ongoing capital management program. We intend to use the proceeds from this Offer to fund future asset growth and to increase the size and diversity of our target Tier 1 capital base.

In setting the terms of this Offer, the Directors wished to recognise the support of Bendigo Bank by its Shareholders – most of whom are retail investors – by providing them with an opportunity to diversify their investment in the Company. Therefore, Shareholders who are Eligible Shareholders will be entitled to receive an allocation of BPS in priority to other applicants. Details of how to apply for BPS to obtain the Eligible Shareholder Priority are set out in Section 4.4.1 of this Prospectus.

Furthermore, to enable Shareholders to spread the cost of their investment, BPS are being offered on a partly paid basis, with \$50 per BPS payable on Application and \$50 per BPS payable on 15 June 2006 (subject to the ability of Bendigo Bank to defer this payment to no later than 15 December 2006).

Depending on the take-up by Shareholders, Eligible Customers of Bendigo Bank may also be entitled to receive an allocation in priority to other applicants who are not Eligible Shareholders in recognition of their support of our business. For further information, see Section 2.3.2 of this Prospectus.

Full details of this investment opportunity are set out in this Prospectus and I urge you to read it carefully. To subscribe for BPS, you will need to fill out the Application Form attached to, or accompanying, this Prospectus. If you have questions about the Offer, please contact your stockbroker, accountant or other professional adviser, or call the BPS Information Line on 1300 656 793.

The Offer is due to open on 4 April 2005 and close on 29 April 2005, however these dates may change, so I encourage you to lodge your Application early.

On behalf of the Board, I invite you to consider this investment opportunity.

Yours sincerely

A handwritten signature in red ink, appearing to read 'Richard A. Guy'. The signature is fluid and cursive, with a long horizontal stroke at the end.

Richard A. Guy OAM

Chairman

Bendigo Bank - highlights

- > Established in 1858 and is Australia's seventh largest Australian retail bank by market capitalisation
- > Market Capitalisation exceeds \$1.3 billion
- > Provision of a range of banking and other financial services, including retail banking, business banking and commercial finance, funds management, treasury and foreign exchange services (including trade finance), superannuation and trustee services
- > Operates through a network of over 290 company owned and community bank branches and other distribution initiatives
- > 2003/04 Net Profit after Tax was \$79.8 million and 2003/04 normalised Operating Profit after Tax was \$73.2 million
- > Net Profit after Tax for the six months ending Dec 2004 was \$42.8 million, up 24% from July-Dec 2003. Operating Profit after Tax and before specific items was \$38.9 million, up 17% from July-Dec 2003
- > Almost 1 million Customers

THE ABOVE HIGHLIGHTS ARE AS AT 31 DECEMBER 2004 AND ARE NOT EXHAUSTIVE AND INVESTORS SHOULD READ THIS PROSPECTUS IN ITS ENTIRETY AND CONSULT THEIR STOCKBROKER, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER BEFORE DECIDING WHETHER TO APPLY FOR BPS. SOME RISK FACTORS THAT YOU SHOULD CONSIDER ARE OUTLINED IN SECTION 6



BPS - investment highlights

> Shareholder and Customer Priority

- Eligible Shareholders will be given a priority allocation of BPS
- Eligible Customers may be given a priority allocation of BPS, subject to Eligible Shareholder demand

> Fully Franked Floating Rate Dividends

- Dividend rate calculated as $(\text{Margin} + \text{Market Rate}) \times (1 - \text{corporate tax rate})$
- The Initial Margin will be no less than 1.25%
- Market Rate will be the Bank Bill Swap Rate for 90 day bills
- Dividends paid in preference to any dividends on Ordinary Shares
- Dividends paid quarterly (non-cumulative), subject to conditions
- If Dividends not paid on BPS, no dividends payable on Ordinary Shares
- Dividends will be calculated on the Paid-Up Value
- Bendigo Bank expects Dividends to be fully franked

> Reset of Terms

- First Reset Date is 15 June 2015
- Dividend Rate and other key terms may be varied as at the Reset Date

- If proposed variations are not agreed by a Holder as at the First Reset Date, Bendigo Bank has the right in relation to the Holder's BPS (or some or all BPS on issue) to convert the BPS into Ordinary Shares or increase the Margin on all BPS by 1.00%

> Exchange

- Bendigo Bank can require Exchange of the BPS on or after the First Reset Date or earlier in certain limited circumstances
- If Bendigo Bank does not Exchange BPS or reset terms at the First Reset Date, the Margin will increase by 1.00%

> Partly paid

- First instalment of \$50 payable on Application
- Applications must be for a minimum of 50 BPS equating to a minimum of \$5,000 (with a minimum first instalment of \$2,500 due on Application)
- Second Instalment of \$50 payable on 15 June 2006 (subject to the ability of Bendigo Bank to defer this payment to no later than 15 December 2006)

THE ABOVE HIGHLIGHTS ARE NOT EXHAUSTIVE AND INVESTORS SHOULD READ THIS PROSPECTUS IN ITS ENTIRETY AND CONSULT THEIR STOCKBROKER, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER BEFORE DECIDING WHETHER TO APPLY FOR BPS. SOME RISK FACTORS THAT YOU SHOULD CONSIDER ARE OUTLINED IN SECTION 6

offer summary

1

This Prospectus contains the details of the Offer. Set out below is a summary of the key terms of BPS. This information is a summary only and should be read in conjunction with other information contained in this Prospectus, in particular the Investment Risks (in Section 6) and the Terms of Issue (in Appendix A).

Issuer	Bendigo Bank Limited (ABN 11 068 049 178)
Security	Bendigo Preference Shares (BPS). BPS are perpetual, non-cumulative, redeemable and convertible preference shares in Bendigo Bank.
Offer Size	Up to one million BPS to raise up to \$100 million. Bendigo Bank may accept oversubscriptions for up to an additional 250,000 BPS (or \$25 million worth). The Offer is not underwritten and Bendigo Bank reserves the right to issue less than one million BPS.
Face Value	\$100 per BPS.
Instalments	The Face Value of BPS is payable in two instalments, being: <ul style="list-style-type: none"> > a first instalment of \$50 payable on Application; and > a second instalment of \$50 payable on 15 June 2006 (subject to the ability of Bendigo Bank to defer this payment to no later than 15 December 2006).
Dividend	BPS are entitled to a preferential non-cumulative floating rate Dividend (which is expected to be fully franked) until the first Reset Date in an amount equal to: $\frac{\text{Dividend Rate} \times \text{Paid-up Value} \times \text{Number of days in Dividend Period}}{365}$ <p>The payment of Dividends is at the Directors' discretion and is subject to a number of other restrictions (see Section 3.10 and Clause 2.2 of the Terms of Issue).</p>
Dividend Rate	The Dividend Rate for each Dividend Period is calculated as: $(\text{Margin} + \text{Market Rate}) \times (1 - T)$ <p>The Margin is an amount expressed as a percentage per annum and which:</p> <ul style="list-style-type: none"> (a) for the period to the first Reset Date – which is 15 June 2015 – will be the Margin announced to ASX by Bendigo Bank on the Issue Date and will be no less than 1.25%; and (b) for the period after the first Reset Date will be the amount determined by Bendigo Bank in accordance with Clause 4 of the Terms of Issue. <p>The Market Rate for the first Dividend Period is the 90 day Bank Bill Swap Rate on the Issue Date, and for each subsequent Dividend Period is the 90 day Bank Bill Swap Rate on the first Business Day of that Dividend Period. The Market Rate may be varied on each Reset Date in accordance with Clause 4 of the Terms of Issue.</p> <p>T is the Australian corporate tax rate applicable on the Issue Date (or, in certain circumstances, the immediately preceding Reset Date), which is currently 30%.</p> <p>The Dividend Rate may be reset with effect from any Reset Date (see Sections 3.16 to 3.18).</p>
Dividend Payment Dates	Dividends are payable in arrears on 15 March, 15 June, 15 September and 15 December in each year that BPS are on issue. The first Dividend payment is 15 September 2005. The last Dividend Payment Date is the date on which BPS are Exchanged.
Franking	Bendigo Bank expects the Dividends to be fully franked.
	If a Dividend is unfranked or partially franked, the Dividend will be increased to compensate for the unfranked component. The Dividend will be adjusted for any changes to the Australian corporate tax rate.
	See Sections 3.8 and 3.9 and Clause 2.1 of the Terms of Issue.

Reset Dates	<p>At each Reset Date, Bendigo Bank may propose variations to certain terms of BPS, including the next Reset Date, the Margin, the Market Rate, the frequency and timing of Dividend payments and the Conversion Discount.</p> <p>The first Reset Date will be 15 June 2015. Subsequent Reset Dates will be determined in accordance with Clauses 4.3 and 4.4 of the Terms of Issue.</p>
Exchange by Bendigo Bank	<p>At each Reset Date, and at each Dividend Payment Date after the First Reset Date, Bendigo Bank may Exchange some or all BPS on issue.</p> <p>In addition, Bendigo Bank may Exchange all BPS on issue if a Tax Event, Regulatory Event or Accounting Event occurs or in the event of certain takeovers or schemes of arrangement involving Bendigo Bank.</p> <p>On Exchange, Bendigo Bank may:</p> <ul style="list-style-type: none"> > convert BPS into Ordinary Shares; > redeem, buy back or cancel BPS for their Paid-up Value (subject to prior approval by APRA); or > undertake a combination of the above (subject to prior approval by APRA). <p>See Sections 3.19 to 3.21 and Clause 3.1 of the Terms of Issue.</p>
Dividend Reset or Step-Up	<p>At each Reset Date, if Bendigo Bank proposes variations to the terms of BPS, Holders will be given the opportunity to accept or reject those proposed variations.</p> <p>If the proposed variations are not agreed to by a Holder, Bendigo Bank may convert that Holder's BPS into Ordinary Shares. The terms as reset will apply to the remaining BPS.</p> <p>Alternatively, Bendigo Bank has the right in relation to all BPS on issue to increase the Margin by 1.00% or convert all BPS into Ordinary Shares.</p> <p>See Section 3.17 and 3.18 and Clause 4.4 of the Terms of Issue.</p>
Exchange by the Holder	<p>Holders have no right to request Exchange of BPS.</p>
Conversion Ratio and Conversion Discount	<p>The rate at which BPS will convert into Ordinary Shares will be calculated by reference to the average of the daily volume weighted average sale price of Ordinary Shares sold on ASX during the 20 Business Days immediately preceding the Exchange Date less a Conversion Discount. The initial Conversion Discount is 2.5%, and the Conversion Discount may be varied on each Reset Date.</p> <p>See Section 3.21 and Clauses 3.4 and 3.5 of the Terms of Issue.</p>
Ranking	<p>BPS rank equally among themselves and are subordinated to all depositors and creditors of Bendigo Bank. BPS are not deposits or liabilities of Bendigo Bank. BPS rank in priority to Ordinary Shares with respect to the payment of dividends and a return of capital on winding up.</p> <p>Bendigo Bank reserves the right to issue other securities that rank ahead of, equally with or behind BPS for dividends or repayment of capital in a winding up of Bendigo Bank without the approval of Holders.</p>
Participation	<p>BPS do not carry a right to participate in issues of securities of Bendigo Bank or to participate in any bonus issues.</p>
Voting Rights	<p>BPS do not carry a right to vote at general meetings of Bendigo Bank, except in limited circumstances.</p> <p>See Clause 6 of the Terms of Issue.</p>
Listing	<p>Bendigo Bank will apply within seven days after the date of this Prospectus for BPS to be quoted on ASX. Quotation is not guaranteed or automatic. If quotation is not granted, no BPS will be issued.</p>

details of the offer

2

2.1 OFFER STRUCTURE

Bendigo Bank intends to issue up to one million BPS to raise up to \$100 million. Bendigo Bank reserves the right to accept oversubscriptions for up to another 250,000 BPS to raise up to a further \$25 million.

The Offer is not underwritten. Bendigo Bank reserves the right to issue less than one million BPS.

BPS are being offered on a partly paid basis, with the Face Value of BPS payable in two instalments. A first instalment of \$50 per BPS is payable on Application, and a second instalment of \$50 per BPS is payable on 15 June 2006 (subject to the ability of Bendigo Bank to defer this payment to no later than 15 December 2006).

2.2 ALLOTMENT

Bendigo Bank intends to allot BPS on 6 May 2005, although Bendigo Bank has the right to change this date with the agreement of the Lead Manager. Bendigo Bank will not allot any BPS until it has been granted approval by ASX for BPS to be quoted and Bendigo Bank has received all proceeds for accepted Applications.

2.3 ALLOCATION POLICY

Bendigo Bank will determine the Eligible Shareholders, Eligible Customers and general public applicants to whom BPS will be allocated. In the event that Bendigo Bank receives applications for BPS in excess of the Oversubscription Amount, Applications may be scaled back.

Bendigo Bank, in consultation with the Lead Manager, may determine to allot BPS to institutional investors and/or brokers having regard to Applications received from Eligible Shareholders and Eligible Customers.

Bendigo Bank reserves the right to reject any Application, or to allocate any applicant a lesser number of BPS than those applied for including a lesser amount than the minimum Application of 50 BPS. This right also extends to Eligible Shareholders and Eligible Customers.

2.3.1 Eligible Shareholder Priority

If Bendigo Bank receives Applications in excess of the Oversubscription Amount, Eligible Shareholders who submit a Shareholder Priority Application Form will be entitled to receive an allocation in priority to other applicants. The level of any priority will be determined by Bendigo Bank in its sole discretion having regard to the level of Applications. Eligible Shareholders will not be entitled to any particular allocation. If a scaling back of Applications occurs, Eligible Shareholders may receive a lesser number of BPS than they applied for and may receive less than the minimum Application of 50 BPS.

2.3.2 Eligible Customer Priority

If Bendigo Bank receives Applications in excess of the Oversubscription Amount, Eligible Customers who submit an Application Form and supply their Customer Identification Number or their Account Number may be entitled to receive an allocation in priority to other applicants who are not Eligible Shareholders. The level of any priority will be determined by Bendigo Bank in its sole discretion having regard to the level of Applications. Eligible Customers will not be entitled to any particular allocation. If a scaling back of Applications occurs, Eligible Customers may receive a lesser number of BPS than they applied for and may receive less than the minimum Application of 50 BPS.

2.4 ASX LISTING

Bendigo Bank will apply within seven days after the date of this Prospectus for BPS to be quoted on ASX. Quotation is not guaranteed or automatic. If quotation is not granted, no BPS will be issued and Application Money will be refunded without interest. Any interest earned on Application Money prior to the return will be, and will remain, the property of Bendigo Bank.

2.5 TRADING

It is expected that the trading in BPS on ASX will commence on a deferred settlement basis on 9 May 2005 following announcement of allocations, and will continue on that basis until 12 May 2005 when it is expected that trading on a normal settlement basis will commence. This is because trading in BPS will take place before CHESSE advices and issuer sponsored holding statements are sent out to Successful Applicants.

To assist applicants to determine their Allocation prior to receipt of their CHESSE advice or issuer sponsored holding statement, applicants may call the Bendigo Bank BPS Information Line on 1300 656 793.

It is the responsibility of each applicant to confirm their holding prior to trading in BPS. Applicants who sell BPS before they receive their CHESSE advice or issuer sponsored holding statement will do so at their own risk (even if they have obtained information on their Allocation from the Bendigo Bank BPS Information Line).

2.6 PROVISION OF HOLDING STATEMENTS

Bendigo Bank will apply for BPS to participate in CHESSE and, in accordance with the ASX Listing Rules and ASTC Settlement Rules, will maintain an electronic issuer sponsored subregister and an electronic CHESSE subregister. Bendigo Bank will not issue certificates to investors. After the allotment of BPS, Successful Applicants will receive a CHESSE or issuer sponsored holding statement. It is expected that holding statements will be dispatched by standard post to Successful Applicants on 11 May 2005.

answers to key questions

3

This Section answers some questions which investors may have about BPS. These answers are intended as a guide only. Further details are provided elsewhere in this Prospectus, which you should read in its entirety. The Terms of Issue are set out in full in Appendix A.

A. GENERAL

3.1 WHAT ARE BPS?

BPS are a preference share that:

- > rank in priority to Ordinary Shares for the payment of Dividends and for a return of capital in the event of a winding up;
- > entitle the Holder to receive quarterly, floating rate, preferred non-cumulative Dividends, although there is no guarantee that Bendigo Bank will pay such Dividends; and
- > are perpetual but can be Exchanged by Bendigo Bank in a number of circumstances, and have particular terms that may be varied in certain circumstances on a Reset Date.

3.2 HOW MANY BPS ARE BEING ISSUED?

Up to one million BPS (to raise up to \$100 million) will be issued. Bendigo Bank reserves the ability to accept oversubscriptions for up to an additional \$25 million. The Offer is not underwritten, and Bendigo Bank reserves the right to issue less than one million BPS.

3.3 WHY IS BENDIGO BANK ISSUING BPS?

The issue of BPS forms part of Bendigo Bank's ongoing capital management program. The proceeds from this Offer are intended to be used to fund future asset growth and increase the size and diversity of its target Tier 1 capital base.

B. DIVIDENDS

3.4 WHEN WILL DIVIDENDS BE PAID?

Dividends are payable in arrears on 15 March, 15 June, 15 September and 15 December each year, with the first Dividend payable on 15 September 2005. Bendigo Bank can seek to reset the frequency and timing of the payment of Dividends on a Reset Date. Dividends are also paid on an Exchange Date.

The payment of Dividends is subject to certain restrictions (see Section 3.10).

3.5 HOW WILL THE DIVIDEND RATE BE CALCULATED?

The Dividend Rate for each Dividend Period is calculated as:

$$(\text{Margin} + \text{Market Rate}) \times (1 - T)$$

Where:

The **Margin** is an amount expressed as a percentage per annum and which:

- (a) for the period to the first Reset Date - will be the margin announced to ASX by Bendigo Bank on the Issue Date and will be no less than 1.25%; and

- (b) for the period after the first Reset Date - will be the amount determined by Bendigo Bank in accordance with Clause 4 of the Terms of Issue.

The **Market Rate** for the first Dividend Period is the 90 day Bank Bill Swap Rate on the Issue Date, and for each subsequent Dividend Period is the 90 day Bank Bill Swap Rate on the first Business Day of that Dividend Period.

The Market Rate may be varied on each Reset date in accordance with Clause 4 of the Terms of Issue.

T means the Australian corporate tax rate applicable on the Issue Date (or, in certain circumstances, the immediately preceding Reset Date), which is currently 30%.

As an example, if the Market Rate on the Issue Date is 5.75% per annum and the Margin is 1.25%, the Dividend Rate for the first Dividend Period would be calculated as follows:

Market Rate	5.75% per annum
Plus Margin	1.25% per annum
	7.00% per annum
Multiplied by (1 - T)	0.70
Dividend Rate for the first Dividend Period (fully franked)	4.9000% per annum

The actual Dividend Rate for each Dividend Period (including the first Dividend Period) may be lower or higher than the example given above.

The Margin and Market Rate may be reset at each Reset Date. Dividends for future periods may be greater or less than the Dividend to the first Reset Date (see Clause 4 of the Terms of Issue). To meet APRA's requirements for Tier 1 capital, there are certain restrictions on Bendigo Bank's ability to reset the Margin and Market Rate on a Reset Date (see Clause 4.2 of the Terms of Issue). See Section 3.16 for other changes that can be made on a Reset Date.

The above calculation assumes that the Dividends are fully franked. See Section 3.8 for further information on the effect on Dividends if they are not fully franked.

3.6 HOW WILL EACH DIVIDEND BE CALCULATED?

The Dividend payable on each BPS for each Dividend Period will be calculated in accordance with the following formula:

$$\frac{\text{Dividend Rate} \times \text{Paid-up Value} \times N}{365}$$

Where:

The **Dividend Rate** is as set out in Section 3.4.

The **Paid-up Value** will be:

- > \$50 per BPS before payment of the Second Instalment; and
- > \$100 per BPS after payment of the Second Instalment.

N is the number of days in the Dividend Period

Continuing from the previous example, if the number of days in the Dividend Period was 90 days and all BPS were fully paid-up, then the Dividend for that Dividend Period would be calculated as follows:

$$\frac{4.9000\% \times \$100 \times 90}{365} = \$1.2082 \text{ per BPS}$$

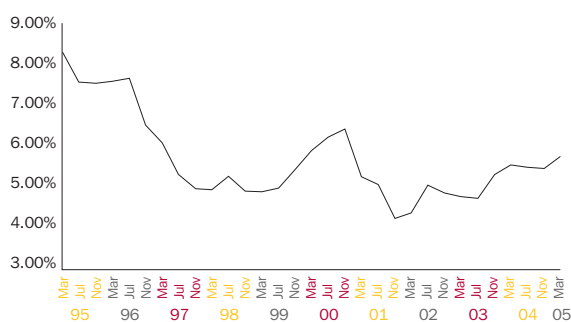
The actual Dividend for each Dividend Period (including the first Dividend Period) may be lower or higher than the example given above.

See Clause 2.1 of the Terms of Issue for further details.

3.7 WHAT IS THE 90 DAY BANK BILL SWAP RATE?

The 90 day Bank Bill Swap Rate is a benchmark interest rate in the Australian money market commonly used by major Australian banks to lend cash to each other over a 90 day period. On 8 March 2005, the 90 day Bank Bill Swap Rate was 5.75% per annum. The graph below shows the movement in the 90 day Bank Bill Swap Rate over the last 10 years:

90 day Bank Bill Swap Rate



3.8 WHAT HAPPENS IF BENDIGO BANK IS UNABLE TO FULLY FRANK A DIVIDEND?

If Bendigo Bank is unable to pay a fully franked Dividend on BPS, the Dividend will be increased to compensate for the unfranked portion (see Clause 2.1(c) of the Terms of Issue).

3.9 WHAT HAPPENS IF THE AUSTRALIAN CORPORATE TAX RATE CHANGES?

If there is a change in the Australian corporate tax rate applicable to the franking account of Bendigo Bank from which the Dividend will be franked, the Dividend may be adjusted (see Clause 2.1(b) of the Terms of Issue).

3.10 WILL DIVIDENDS ALWAYS BE PAID?

BPS are not debt instruments and the Dividends payable are not the same as interest payments.

Dividends may not always be paid as the payment of Dividends is subject to a number of conditions. These conditions are:

- > the Directors, in their discretion, declaring a Dividend to be payable;
- > Bendigo Bank having profits available for the payment of a Dividend;

- > the payment of the Dividends having the result that Bendigo Bank and the consolidated Group will still comply with APRA's capital adequacy guidelines as they are applied at that time (unless APRA otherwise gives its prior approval);
- > unless otherwise approved by APRA, the amount of the payments on Tier 1 Securities not exceeding the Distributable Profits; and
- > APRA not otherwise objecting to the payment of the Dividend.

If one or more of these conditions are not satisfied, a Dividend may not be paid.

3.11 WHAT HAPPENS IF A DIVIDEND PAYMENT IS NOT MADE?

Dividends on BPS are non-cumulative. Accordingly, if a Dividend is not paid on a Dividend Payment Date, Bendigo Bank is not required to pay the unpaid amount at any later time. BPS are not debt instruments and the Dividends are not the same as interest payments. Non-payment of Dividends does not entitle a Holder to request an Exchange of BPS.

If Bendigo Bank does not declare a Dividend or a Dividend that has been declared is not paid within 20 Business Days after the relevant Dividend Payment Date, then, without the requisite approval of Holders, Bendigo Bank must not:

- (a) declare or pay a dividend or make a distribution to holders of certain capital of Bendigo Bank unless:
 - (i) in the case of share capital of Bendigo Bank over which BPS rank in priority;
 - A. four consecutive Dividends stated to be payable on BPS thereafter have been paid in full (or an equivalent amount of Dividends has been paid, if the frequency of payment is other than quarterly); or
 - B. an Optional Dividend has been paid to Holders equal to the unpaid amount (if any) of the four immediately preceding Dividends prior to the date of payment of the Optional Dividend (or an equivalent amount of Dividends has been paid, if the frequency of payment is other than quarterly);
 - (ii) in the case of share capital of Bendigo Bank ranking equally with BPS, unless optional dividend payments equal to the unpaid dividend amounts on all share capital of Bendigo Bank ranking equally with BPS (including BPS) for the immediately preceding twelve months are made; or
- (b) redeem, reduce, cancel or acquire for any consideration any share capital of Bendigo Bank (other than BPS or share capital ranking equally or in priority to BPS) unless all BPS have been converted, redeemed, bought back or cancelled.

C. INSTALMENT STRUCTURE

3.12 WHEN WILL I BE REQUIRED TO PAY THE SECOND INSTALMENT ON BPS?

Holders will be required to pay the Second Instalment of \$50 for each BPS on 15 June 2006, subject to the ability of Bendigo Bank to defer this payment to no later than 15 December 2006.

3.13 CAN I PAY THE SECOND INSTALMENT EARLY?

No. You may only pay the Second Instalment once Bendigo Bank has issued a notice requiring it.

3.14 WHAT HAPPENS IF I FAIL TO PAY THE SECOND INSTALMENT?

If a Holder fails to pay the Second Instalment in respect of any BPS by the Instalment Payment Date, interest will accrue from the Instalment Payment Date in accordance with the Constitution and the BPS may be forfeited and sold on behalf of the Holder (see Clause 1.3 of the Terms of Issue).

If the net proceeds of sale on forfeiture are less than the sum of the Second Instalment and accrued interest and expenses associated with forfeiture, the Holder will remain liable to pay the difference to Bendigo Bank.

D. RESET MECHANISM

3.15 WHAT CAN BENDIGO BANK DO APPROACHING THE RESET DATE?

Bendigo Bank may deliver a notice to Holders prior to a Reset Date to either:

- > reset certain aspects of the Terms of Issue (see Sections 3.16 to 3.18 below and Clause 4 of the Terms of Issue), or
- > Exchange the BPS (see Sections 3.19 to 3.22 below and Clause 3 of the Terms of Issue).

3.16 WHAT HAPPENS ON RESET DATES?

Reset Dates are dates on which Bendigo Bank may vary any or all of the following terms:

- > the next Reset Date;
- > the Conversion Discount;
- > the Margin;
- > the Market Rate; and/or
- > the frequency and timing of payment of Dividends.

The new terms will apply from the day after the relevant Reset Date until and including the next Reset Date.

There are restrictions on Bendigo Bank's discretion to change these terms. See Clause 4 of the Terms of Issue.

The first Reset Date will be 15 June 2015.

Bendigo Bank must send Holders a Reset Notice notifying them of any such proposed changes at least 50 Business Days prior to the relevant Reset Date. If a Reset Notice is not served within that time period, the Margin will be automatically increased from the relevant Reset Date (see Clause 4.3 of the Terms of Issue).

3.17 WHAT HAPPENS IF I RECEIVE A RESET NOTICE?

Holders will be given the opportunity to accept or reject the proposed variations to the terms set out in a Reset Notice. If you do not wish to continue to hold the BPS on the terms set out in the Reset Notice, you will be able to notify Bendigo Bank by delivering a Reset Rejection Notice no later than 35 Business Days before the Reset Date.

3.18 WHAT WILL BENDIGO BANK DO IF IT RECEIVES A RESET REJECTION NOTICE?

If Bendigo Bank receives a Reset Rejection Notice it has the right to convert that Holder's BPS into Ordinary Shares. The terms as set out in the Reset Notice will apply to remaining BPS on issue.

Alternatively, Bendigo Bank has the right in relation to all BPS on issue to increase the Margin by 1.00% or convert all BPS on issue into Ordinary Shares.

See Clause 4.4 of the Terms of Issue.

3.19 WHEN CAN AN EXCHANGE OCCUR?

At each Reset Date, and at each Dividend Payment Date after the first Reset Date, Bendigo Bank may Exchange some or all BPS on issue.

In addition, Bendigo Bank may Exchange all BPS on issue following the occurrence of a Tax Event, Regulatory Event or Accounting Event or in the event of certain takeovers or schemes of arrangement involving Bendigo Bank.

3.20 WHAT WILL HAPPEN ON EXCHANGE?

On Exchange, Bendigo Bank may:

- > convert BPS into Ordinary Shares;
- > redeem, buy-back or cancel BPS for their Paid-up Value (subject to prior approval from APRA); or
- > undertake a combination of the above (subject to prior approval by APRA).

See Clause 3.1 of the Terms of Issue.

3.21 WHAT HAPPENS ON CONVERSION?

On conversion each BPS will convert into Ordinary Shares in accordance with the following formula:

$$\frac{\text{Paid-up Value}}{\text{VWAP} \times (1 - \text{Conversion Discount})}$$

Where:

VWAP, subject to any adjustments under Clause 3.5 of the Terms of Issue, is the average of the daily volume weighted average sale price of Ordinary Shares sold on ASX during the 20 Business Days immediately preceding the date for Exchange.

The initial **Conversion Discount** is 2.5% and the Conversion Discount may be varied on each Reset Date.

Example – If, at the First Reset Date, the Paid-up Value is \$100, Dividends have been paid in full, the VWAP is \$15 and you hold 50 BPS, you will receive 6.8376 Ordinary Shares per BPS on conversion, which will amount to 341 Ordinary Shares for your 50 BPS (as fractions are disregarded when determining the total number of Ordinary Shares received by a Holder on conversion). The calculation is as follows:

$$\begin{aligned} & \frac{100}{(15 \times (1.00 - 0.025))} \times 50 \\ &= 6.8376 \times 50 \\ &= 341 \text{ (disregarding fractions)} \end{aligned}$$

See Clauses 3.4, 3.5 and 4.1 of the Terms of Issue.

3.22 WHAT HAPPENS IN THE EVENT OF REDEMPTION?

If Bendigo Bank redeems, buys back or cancels BPS, each BPS will be redeemed, bought back or cancelled at their Paid-up Value. Bendigo Bank may only do this if APRA gives its prior approval.

3.23 CAN I REQUEST AN EXCHANGE, REPURCHASE, BUY BACK OR REDEMPTION OF MY INVESTMENT?

No. Holders cannot request Bendigo Bank to Exchange or repurchase their investment.

F. MISCELLANEOUS

3.24 CAN BPS BE TRADED ON ASX?

Bendigo Bank will apply within seven days after the date of this Prospectus for BPS to be quoted on ASX. If quotation is not granted, BPS will not be issued and Application Money will be refunded to applicants without interest. Once quoted on ASX, BPS can be purchased or sold through any stockbroker in Australia. The price may be higher or lower than the Paid-up Value and will depend, among other things, on the level of supply and demand for BPS.

3.25 IN A WINDING UP, WHAT WILL HOLDERS OF BPS RECEIVE?

In the event of a winding up of Bendigo Bank, Holders will be entitled to a return of capital of up to the Paid-up Value of BPS and the payment of any Dividends declared but unpaid after all creditors and other liabilities of Bendigo Bank ranking ahead of BPS have been paid. The BPS do not confer any further right to participate in a distribution of Bendigo Bank's assets. The Holders will rank ahead of holders of Ordinary Shares in a winding up to the extent of the Paid-up Value of the BPS and any Dividends declared but unpaid.

In the event of a shortfall of funds on a winding up such that there are not sufficient funds to pay this amount to all Holders, Holders will not receive a full return, but will receive a pro rata return with other preference shareholders and holders of capital securities ranking equally with the BPS, including holders of preference shares and capital securities issued after the BPS.

3.26 WHAT ARE THE TAXATION IMPLICATIONS OF HOLDING OR SELLING BPS?

The taxation implications of investing in BPS will depend on the Holders' individual circumstances. Potential investors should obtain their own taxation advice. A summary of some of the relevant matters is set out in Section 7.

3.27 DO BPS HAVE VOTING RIGHTS?

BPS do not have voting rights at general meetings of Bendigo Bank, except in limited circumstances in which case each BPS will carry the same voting rights as if they were converted into Ordinary Shares immediately prior to the meeting (see Clause 6 of the Terms of Issue).

3.28 WHAT ARE THE RISKS OF INVESTING IN BPS?

An investment in Bendigo Bank, through BPS, involves risks. You should refer to Section 6 for further information on some of these risks. You should read this Prospectus in its entirety. If you are unclear on any matter or uncertain if BPS are a suitable investment for you, you should seek professional guidance from your stockbroker, accountant or other professional adviser before deciding whether to invest.

how to apply for BPS

4

4.1 WHO MAY APPLY?

The Offer is available to Australian residents receiving this Prospectus in Australia, including by downloading a copy of this Prospectus from Bendigo Bank's website at www.bendigobank.com.au.

Applicants using an Application Form attached to either the electronic or printed version of this Prospectus must be Australian residents in Australia. No action has been, or will be, taken to register this Prospectus or otherwise permit a public offering of BPS in any jurisdiction outside Australia where the laws of that jurisdiction would require the Prospectus to be registered or other action to be taken by Bendigo Bank.

4.2 WHEN TO APPLY

The Offer is expected to open at 9.00am (Melbourne time) on 4 April 2005 and is scheduled to close at 5.00pm (Melbourne time) on 29 April 2005. Applications must be received no later than 5.00pm (Melbourne time) on the Closing Date in accordance with the instructions below.

Bendigo Bank may extend the Closing Date, close the Offer early without notice and accept late Applications, either generally or in particular cases. Applicants are encouraged to submit their Application as soon as possible on or after the Opening Date.

4.3 HOW MANY BPS CAN BE APPLIED FOR?

Applications must be for a minimum Application of 50 BPS.

The Issue Price for each BPS is \$100. Applications must be for a minimum of 50 BPS equating to a minimum of \$5,000 (with a minimum first instalment of \$2,500 due on Application). Applications made in excess of \$5,000 must be made in multiples of 10 BPS, equating to a minimum of \$1,000 per increment (with \$500 payable on Application as part of the first instalment).

Bendigo Bank and the Lead Manager reserve the right to reject any Application, or to allocate any applicant a lesser number of BPS than those applied for, including less than the minimum Application of 50 BPS. See Section 2.3 for the allocation policy.

There is no maximum number of BPS that may be applied for.

4.4 HOW TO APPLY

You may apply for BPS by completing the Application Form in accordance with the instructions on the Application Form and the specific instructions set out below.

Persons who receive the electronic version of this Prospectus, which can be downloaded from the Bendigo Bank website at www.bendigobank.com.au, should ensure that they download and read the Prospectus in its entirety. Applications cannot be made online.

The Corporations Act prohibits any person from passing an Application Form on to another person unless it is attached to or accompanying a paper copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

4.4.1 How to apply – Eligible Shareholders

Persons registered as a Bendigo Bank Shareholder with a registered address in Australia as at 7.00pm (Melbourne time) on 14 February 2005 are Eligible Shareholders and will be entitled to receive an allocation in priority to other applicants. The level of any priority will be determined by Bendigo Bank at its sole discretion having regard to the level of Applications. Eligible Shareholders will not be entitled to any particular allocation.

Eligible Shareholders who apply for a Prospectus by calling the Bendigo Bank BPS Information Line on 1300 656 793 or return their registration card, will receive a personalised Application Form with their copy of this Prospectus. Eligible Shareholders must use this personalised Application Form to apply for BPS to be entitled to receive their Eligible Shareholder priority (see Section 2.3). If an Eligible Shareholder uses a general Application Form attached to this Prospectus or downloaded from the Bendigo Bank website at www.bendigobank.com.au, they will not be entitled to receive their Eligible Shareholder priority.

4.4.2 How to apply – Eligible Customers

Applicants who are Customers of Bendigo Bank with a registered address in Australia at 7.00pm (Melbourne time) on 14 February 2005 are Eligible Customers and will be entitled to receive an allocation in priority to other applicants who are not Eligible Shareholders. The level of any priority will be determined by Bendigo Bank at its sole discretion having regard to the level of Applications. Eligible Customers will not be entitled to any particular allocation.

Eligible Customers must complete the general Application Form attached to this Prospectus or downloaded from the Bendigo Bank website at www.bendigobank.com.au and must include their Customer Identification Number in the box marked "Customer Identification Number" or their Account Number in the box marked "Customer Account Number" on the Application Form to be entitled to receive their Eligible Customer priority (see Section 2.3). If an Eligible Customer does not include their Customer Identification Number or their Account Number in the Application Form, they will not be entitled to receive their Eligible Customer priority.

4.4.3 How to apply – General Applicants

General public applicants must complete the general Application Form in accordance with the instructions on the Application Form. You may use the general Application Form attached to this Prospectus or downloaded from the Bendigo Bank website at www.bendigobank.com.au.

4.5 HOW TO PAY

All completed Application Forms must be accompanied by payment of \$50 per BPS, being the first instalment per BPS.

Completed Application Forms must be accompanied by cheque(s) or money order(s) for the relevant Application Monies in Australian dollars drawn on an Australian branch of an Australian bank. Cheque(s) or money order(s) should be crossed "not negotiable" and made payable to "Bendigo Bank BPS Offer".

If you do not pay the Second Instalment of \$50 per BPS by the required date, your BPS may be forfeited and sold on your behalf.

Completed Application Forms and accompanying cheque(s) or money order(s) must be mailed or delivered as follows:

Mail address

Bendigo Bank BPS Offer
C/- Computershare Investor Services Pty Ltd
Reply Paid 4658
Melbourne Vic 8060

Delivery address

Bendigo Bank BPS Offer
C/- Computershare Investor Services Pty Ltd
Yarra Falls
452 Johnston Street
Abbotsford Vic 3067

Application Forms must be received at one of the above addresses by 5:00pm (Melbourne time) on the Closing Date.

Application Forms and accompanying cheque(s) or money order(s) will not be accepted at Bendigo Bank's registered office or at the offices of any of Bendigo Bank's businesses or any Bendigo Bank branches.

By returning an Application Form, you acknowledge, among other things, that you have received and read this Prospectus.

4.6 REFUNDS

Bendigo Bank reserves the right to reject any Applications or to allocate applicants a lesser number of BPS than those applied for (including less than the minimum Application of 50 BPS).

If an Application is not accepted, or is accepted in part only, the relevant part of the Application Money will be refunded as soon as practicable after the Closing Date. No interest will be paid on any Application Money returned. Any interest earned on Application Money prior to the return will be, and will remain, the property of Bendigo Bank.

4.7 CANCELLATION

Bendigo Bank reserves the right to withdraw the Offer at any time before the allotment of BPS, in which case all Application Money will be refunded in full without interest.

4.8 BROKERAGE AND STAMP DUTY

Applicants do not have to pay brokerage or stamp duty on their Applications. Brokerage may be payable on subsequent transfers of the BPS on ASX.

4.9 TAX FILE NUMBERS AND AUSTRALIAN BUSINESS NUMBERS

If applicants do not provide their tax file number (TFN), TFN exemption details (if applicable) or Australian Business Number (ABN) to Bendigo Bank, then Bendigo Bank will be required to withhold tax at the highest marginal tax rate (currently 48.5% including the Medicare levy) of the amount of any unfranked Dividend payable to them in respect of BPS held by them.

4.10 PRIVACY STATEMENT

When making an Application, applicants will be required to provide personal information to Bendigo Bank and the Bendigo Bank Share Registry. Bendigo Bank and the Bendigo Bank Share Registry will collect, hold and use an applicant's personal information in order to assess the Application, service the applicant's needs as an investor, provide facilities and services that an applicant requests and carry out appropriate administration.

Company and tax law requires some of the information to be collected. If an applicant does not provide the information requested, the Application may not be processed efficiently, or at all.

Bendigo Bank and the Bendigo Bank Share Registry may disclose an applicant's personal information for purposes related to the applicant's investment to their agents and service providers including those listed below or as otherwise authorised under the *Privacy Act 1988* (Cth):

- > the Lead Manager in order to assess the Application;
- > the Bendigo Bank Share Registry for ongoing administration of the register; and
- > the printers and mailing house for the purpose of preparation and distribution of statements and for handling of mail.

If an applicant becomes a Holder, the applicant's personal information may also be used or disclosed from time to time to inform the applicant about Bendigo Bank products or services that Bendigo Bank thinks may be of interest to the applicant. If an applicant does not want personal information to be used for this purpose, the applicant should contact Bendigo Bank by telephoning the Bendigo Bank Share Registry on 1800 646 042.

The information may also be disclosed to companies within the Group and to their agents and service providers.

If an applicant becomes a Holder, the Corporations Act requires information about the Holder (including the Holder's name, address and details of BPS they hold) to be included in Bendigo Bank's public share register. This information must continue to be included in this register after the Holder ceases to hold BPS.

Under the *Privacy Act 1988* (Cth), an applicant may request access to personal information held by or on behalf of Bendigo Bank or the Bendigo Bank Share Registry. An applicant can request access to personal information by writing to, or telephoning, the Bendigo Bank Share Registry:

Bendigo Bank Share Registry
Second Floor
Fountain Court
Bendigo VIC 3550
1800 646 042

4.11 ENQUIRIES

If you require assistance to complete the Application Form, you should call the Bendigo Bank BPS Information Line on 1300 656 793.

If you are unclear in relation to any matter or are uncertain if BPS are a suitable investment for you, you should contact your stockbroker, accountant or other professional adviser.

Answers to some key questions regarding BPS are contained in Section 3.

Bendigo Bank and its operations

5

5.1 BENDIGO BANK – A BRIEF PROFILE

Bendigo Bank has its headquarters in Bendigo – 150km north of Melbourne – and is the only Australian bank headquartered outside a capital city.

5.1.1 Ownership

Bendigo Bank is listed on the ASX and is owned by more than 48,000 Shareholders, most of whom are retail shareholders. As at 31 December 2004, the top 20 Shareholders owned approximately 16% of the 135 million Ordinary Shares on issue.

5.1.2 Overview

Bendigo Bank commenced operations in 1858 as a building society servicing the Bendigo community. In 1978, the Company began an expansion phase, acquiring a number of other companies, and in 1995 the Company converted from a building society to a bank.

From an asset base at the time of Bank conversion of \$1.68 billion, Bendigo Bank now has assets under management in excess of \$14.8 billion. Bendigo Bank has more than 290 branches which are concentrated in Victoria (149) and Queensland (63). Bendigo Bank is expanding its presence in other areas of Australia, having increased its presence outside Victoria from one branch in 1995 to 144 branches as at 15 March 2005. Bendigo Bank employed 2,154 full time equivalent staff as at 31 December 2004.

The number of Bendigo Bank customers doubled in the four years to 30 June 2004 and is now approaching one million.

In the four years to 30 June 2004, Bendigo Bank's profit has more than doubled, with operating profit after tax reaching \$79.8 million and normalised operating profit after tax reaching \$73.2 million. Interim operating profit after tax for the 6 months ended 31 December 2004 increased by 24% on the corresponding period in 2003 (from \$34.6 million to \$42.8 million), with interim operating profit after tax and before specific items increasing by 17% on the corresponding period in 2003 (from \$33.2 million to \$38.9 million).

5.1.3 Business profile

Bendigo Bank is a financial solutions distribution company providing banking and financial services primarily to retail customers and small-to-medium size businesses.

As at 31 December 2004, approximately 85% of Bendigo Bank's funding was derived from retail deposits and approximately 74% of its loans were secured by residential mortgages. Through its fully owned subsidiary Sandhurst Trustees (established in 1888), Bendigo Bank has a growing funds management business, with \$2.6 billion under management as at 31 December 2004.

Bendigo Bank has formed joint venture companies Elders Rural Bank (agri-business banking), Tasmanian Banking Services (retail banking in Tasmania) and Community Sector Banking (banking to Australia's not-for-profit sector). Bendigo Bank also devised and successfully expanded its unique Community Bank[®] franchise through which communities own and operate Bendigo Bank branches.

Bendigo Bank is the holder of Australian Financial Services Licence number 237879.

5.2 STRATEGIC INITIATIVES

5.2.1 Community Bank[®]

Community Bank[®] engages and involves communities in securing access to branch banking services. Essentially, a local publicly owned company invests in the rights to operate a Bendigo Bank franchise. Bendigo supplies all banking and back office services while the community company operates the shopfront. Revenue is shared, enabling communities to profit from their own banking and plough those profits back into community enterprise and development.

As at 28 February 2005, there were 143 Community Bank[®] branches across Australia which held \$3.3 billion in deposits and \$2.6 billion in loans. Now growing by around 25 to 30 branches each year, Community Bank[®] has enabled Bendigo Bank to expand its branch distribution network much faster than would otherwise have been possible and is steadily increasing its contribution to Bendigo Bank's profit.

5.2.2 Elders Rural Bank

Launched in January 1999 as a joint venture with Futuris Corporation Limited (parent of pastoral company Elders Australia), Elders Rural Bank (ERB) delivers specialist banking services to the nation's rural sector. This combines Bendigo Bank's banking expertise and product range with Elders' widespread branch network, knowledge of the agriculture industry and customer base.

ERB was granted a banking authority in June 2000. At 31 December 2004, ERB had deposits of \$2.1 billion and loans of just under \$2 billion. ERB contributed \$10.9 million to Bendigo Bank's operating profit after tax for the year ended 30 June 2004.



5.2.3 Wealth Solutions

The Group's wealth solutions/management business incorporates financial advice and planning, managed funds, trustee and custodian services. The Group's funds management and trustee business is managed by Sandhurst Trustees with \$2.6 billion of funds under management as at 31 December 2004.

A subsidiary, Bendigo Investment Services, provides financial planning and advisory services through Bendigo Bank's retail network which is the major distribution channel for Bendigo Bank's funds management activities.



5.2.4 Tasmanian Banking Services

In September 1999, Bendigo Bank formed an alliance with Tasmanian Perpetual Trustees Limited (TPTL) to gain entry to the Tasmanian retail banking market by providing banking services through that company's offices. In 2000 this led to the creation of a new joint venture company, Tasmanian Banking Services (TBS), to retail Bendigo Bank and TPTL product in Tasmania. As at 28 February 2005, six TBS branches held \$162 million in deposits and \$317 million in loans. TBS contributed \$0.4 million to Bendigo Bank's interim operating profit after tax for the six months ended 31 December 2004.



5.2.5 Community Sector Banking

Based on the Community Bank[®] model, Community Sector Banking (CSB) offers banking services to Australia's not-for-profit sector. CSB is a joint venture between Bendigo Bank and Community 21 Ltd., a company formed by 20 not-for-profit sector participants. These participants share in the margin and fee revenue generated by the banking activities, securing for them a revenue stream with which to further develop services they provide. CSB made its first profit contribution (\$0.1 million) to Bendigo Bank's interim operating profit after tax for the six months ended 31 December 2004.



5.3 BUSINESS STRATEGY

Bendigo Bank's key strategies are to:

- > create a distinctive identity and brand as a customer and community focused bank;
- > expand its distribution network;
- > broaden its product range;
- > provide sustainable returns to all stakeholders; and
- > increase its relevance to communities, helping them enhance their prospects and thereby increase future potential earnings for Bendigo Bank.

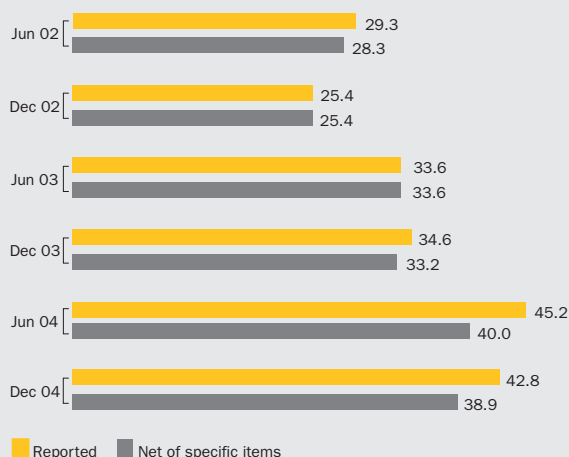
5.4 FINANCIAL PROFILE AND PERFORMANCE

Bendigo Bank has recorded strong improvement in profitability and performance in recent years. Financial highlights for the most recent reporting period, the six months ending 31 December 2004 (compared against the six months ending 31 December 2003), include:

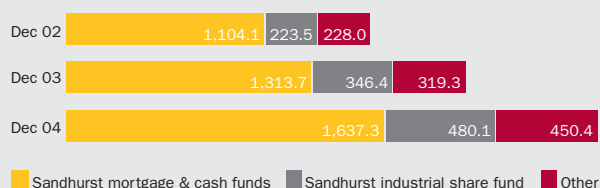
- Profit**
- > Operating profit after income tax was \$42.8 million, up 24% from \$34.6 million;
 - > Operating profit after income tax and before specific items was \$38.9 million, up 17% from \$33.2 million;
 - > Earnings per share was 30.5 cents, a 13% increase, and cash basis earnings per share was 29.3 cents, a 7% increase;
- Lending**
- > Total bank lending approvals were \$3.0 billion;
 - > Gross loan balances grew by \$871 million (up 9%), with a further \$195 million in loans sold to off-balance sheet structures (\$362 million for the calendar year);
- Deposits**
- > Total Group deposits grew by 22%, to \$11.3 billion, with retail deposits representing 85% of total deposits;
- Funds**
- > Superannuation and managed funds offered by Sandhurst Trustees increased by 19%, to \$2.6 billion; and
 - > Wealth Solutions' profit contribution increased by 40%, to \$7.7 million.

Some key performance metrics for Bendigo Bank are set out on the right of this page.

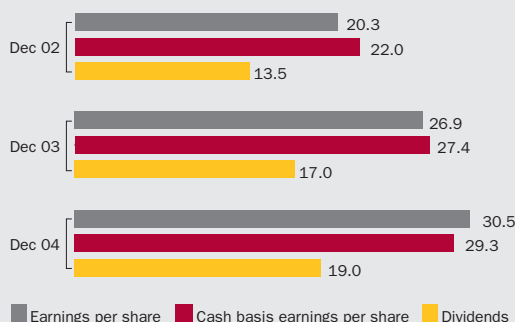
Operating profit after tax (A\$ millions)



Funds under management (A\$ millions)



Shareholders returns (cents)



Return on equity (%)



CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

	Year ended 30 June 2004	Six months ended 31 December 2003	Six months ended 31 December 2004
Interest revenue	615.5	284.5	370.6
less interest expense	361.9	161.7	232.8
Net interest margin	253.6	122.8	137.8
Specific income items	17.0	3.3	8.3
Other revenue	124.8	62.3	71.9
Share of associates net profits accounted for using the equity method	15.7	7.9	8.5
Total revenue after ordinary activities	411.1	196.3	226.5
Bad & doubtful debts expense (net of bad debts recovered)	13.8	6.3	8.4
Specific expense items	8.3	1.4	2.8
Other operating expenses	273.7	137.6	154.8
Profit from ordinary activities before income tax expense	115.3	51.0	60.5
Income tax expense	-33.7	-16.0	-16.3
Specific items income tax expense	-2.1	-0.5	-1.6
Net loss attributable to outside equity interest	0.3	0.1	0.2
Profit from ordinary activities after income tax expense	79.8	34.6	42.8

5.5 CREDIT RATING

As at the date of this Prospectus, the BPS have not been given a rating by any rating agency.

Bendigo Bank is currently rated by two agencies. The ratings are as follows.

	Long Term	Short Term
Standard & Poor's	BBB+	A-2
Fitch	BBB+	F2*

* Fitch uses "F" rather than "A" for its short-term ratings.

All Australian banks, including Bendigo Bank, must meet prudential guidelines set and monitored by APRA.

A long-term or short-term counterparty credit rating is a current opinion by the rating agency of an obligor's overall financial capacity to pay its financial obligations (or creditworthiness).

Standard & Poor's definition of a long-term counterparty credit-rating of "BBB" describes an obligor that exhibits adequate protection parameters to meet its financial commitments, while a short-term credit rating of "A-2" reflects an obligor's capacity to meet its financial commitments is satisfactory. Standard & Poor's upgraded its long-term counterparty credit rating on Bendigo Bank to "BBB+" from "BBB" in February 2005. The rating upgrade reflects Standard & Poor's view that Bendigo has transitioned into a stronger, more diversified institution, with sustained business growth, profitability, and sound credit quality evidenced over a number of reporting periods up to 31 December 2004.

According to Fitch a long-term credit rating of "BBB" indicates that there is currently a low expectation of credit risk and the capacity for timely payment of financial commitments is considered adequate, and a short-term credit rating of "F2" indicates a satisfactory capacity for timely payment of financial commitments

Long-term ratings may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

Credit ratings are not market ratings, nor are they recommendations to buy, sell or hold securities (including BPS). Credit ratings are subject to revision or withdrawal at any time.

Any adverse changes in Bendigo Bank's operating performance or capital structure in the future may give rise to a risk that the credit ratings of Bendigo Bank could be downgraded. This could affect the market price and liquidity of BPS.

5.6 CAPITAL MANAGEMENT STRATEGY

Bendigo Bank manages its capital structure and seeks to maximise returns to shareholders by balancing the mix and overall level of capital required. In February 2005, Bendigo Bank announced the following initiatives:

- > its intention to raise around \$100 million through the issue of the BPS;
- > its intention to buy back, on market, up to five million shares (3.5% of issued capital);

- > the reduction of its Tier 1 capital target from 8.0% to 7.5%; and
- > the immediate suspension of the 2.5% discount on the issue of shares under Bendigo Bank's Dividend Reinvestment and Bonus Share plans.

As at 31 December 2004, Bendigo Bank's capital adequacy ratios were strong with total capital as a percentage of risk-weighted assets amounting to 10.48%, with Tier 1 Capital at 8.16%. Upon receipt of the first instalment, Bendigo Bank estimates that its Tier 1 Capital will be approximately 8.12%.

5.7 PRO-FORMA FINANCIAL INFORMATION

The pro-forma financial information set out below assumes that \$60.4 million (net of transaction costs which are estimated at \$2.1 million) is immediately raised through the BPS and placed temporarily into the cash account. In addition, \$62.5 million will be raised in 2006 when the Second Instalment is paid. The consolidated balance sheet is provided both before and after the issue of BPS assuming the transaction had occurred on 31 December 2004 (and that Bendigo Bank has exercised its right to accept oversubscriptions and has issued a total of 1,250,000 BPS).

	31 December 2004 (\$m)	Effect of BPS issue (\$m)	Combine Effect Pro Forma (\$m)
Assets			
Cash and liquid assets	152.9	60.4	213.3
Due from other financial institutions	51.4	-	51.4
Investment securities	1,560.0	-	1,560.0
Loans and other receivables	10,237.2	-	10,237.2
Shares-other	24.3	-	24.3
Investments accounted for using the equity method	110.1	-	110.1
Property, plant & equipment	62.4	-	62.4
Deferred tax assets	33.8	-	33.8
Intangibles	61.5	-	61.5
Other assets	105.6	-	105.6
Total Assets	12,399.2	60.4	12,459.6
Liabilities			
Due to other financial institutions	54.7	-	54.7
Deposits	11,289.6	-	11,289.6
Payables	72.8	-	72.8
Current tax liabilities	6.5	-	6.5
Other provisions	28.4	-	28.4
Subordinated debt	239.3	-	239.3
Deferred tax liabilities	4.9	-	4.9
Total Liabilities	11,696.2	-	11,696.2
Net Assets	703.0	60.4	763.4
Equity			
Parent entity interest			
Contributed equity	565.4	60.4	625.8
Reserves	5.4	-	5.4
Retained profits	132.6	-	132.6
Total parent entity interest in equity	703.4	60.4	763.8
Total outside equity interest	-0.4	-	-0.4
Total equity	703.0	60.4	763.4

Notes: The above pro-forma financial information is based on the following assumptions:

- * Bendigo Bank has exercised its right to accept oversubscriptions and has issued a total of 1,250,000 BPS.
- * The net proceeds from the first instalment of the BPS issue are \$60.4 million (net of transaction costs which are estimated at \$2.1 million). This net proceeds amount of \$60.4 million does not take into account the proceeds to be received by Bendigo Bank from the Second Instalment.
- * The effect of the on-market share buy-back commenced by Bendigo Bank in March 2005 has not been included.

5.8 AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Australian Accounting Standards Board (AASB) is implementing the Financial Reporting Council's policy of adopting the International Financial Reporting Standards (IFRS), which will apply to the Group's reporting periods from 1 July 2005.

Therefore, the adoption of these standards will be first reflected in the Group's financial statements for the half-year ending 31 December 2005 and the year ended 30 June 2006.

Bendigo Bank is required to prepare an opening balance sheet in accordance with IFRS as at 1 July 2004. Most accounting policy adjustments to retrospectively apply Australian equivalents to IFRS (A-IFRS) will be made against retained earnings in this opening balance sheet. However, transitional adjustments relating to those standards for which comparatives are not required will only be made on 1 July 2005. Comparatives are not required for AASB 132: Financial Instruments: Disclosure and Presentation, AASB 139: Financial Instruments: Recognition and Measurement and AASB 4: Insurance Contracts.

Adoption of A-IFRS in 2005 is expected to have significant impacts on the accounting policies of Australian reporting entities and their reported financial position and financial performance.

Bendigo Bank commenced a project in December 2002 to assess the implications of the adoption of A-IFRS for accounting policies, reported performance and position of the Group. As part of this project, Bendigo Bank has formed an IAS Conversion Team (ICT) to undertake assessment of impacts, implementation of necessary changes to accounting policies, modifications to accounting systems and communication to stakeholders.

The ICT regularly reports to the Bendigo Bank Audit Committee on project progress, findings, impacts and identified changes required to Group accounting policies, systems and procedures to ensure transition.

Key areas of the bank's accounting policies, and therefore reported performance and position that are likely to be affected by the adoption of A-IFRS are:

Goodwill

Initial impact on retained earnings at 1 July 2004
Lower expenses
Volatility in results in the event of impairment

There will no longer be a requirement to amortise goodwill arising in a business combination, therefore there will no longer be an expense item reflecting the annual goodwill amortisation. Goodwill is instead subject to impairment testing at least annually, using new methodology. This change may result in increased volatility of future earnings where impairment losses may occur. The new testing methodology may result in assessment of impairment for some existing goodwill and require initial write down against retained earnings on transition to A-IFRS.

Financial instruments

Volatility in future earnings or equity for those instruments that are to be measured at fair value

Financial instruments will be required to be classified into five categories, which will determine the accounting treatment of the item. This will result in a change to the current accounting policy that does not classify financial instruments into such categories. Some instruments currently carried at amortised cost will in future be carried at fair value, with fair value changes either charged to profit and loss or taken to equity, depending on their classification. The future financial effect of this change is not yet known as the classification and measurement process has not yet been fully completed, but the impact on reported profit should not be significant. However, the fair value adjustments could result in volatility to equity reserve balances. These changes do not require comparatives for the 2004/05 financial year.

Derivatives

Potential volatility in future earnings
Volatility in equity

All derivative contracts will be recorded at fair value. When derivatives meet the new criteria for recognition as a hedge, movements in fair value will be taken to equity. Derivatives not meeting the criteria will have such movements taken to profit and loss. Also, all hedges will require effectiveness testing, with any ineffectiveness taken to profit and loss. It is expected that the majority of our derivatives will meet the criteria for effective hedging. The Group predominantly uses cash flow hedges in respect of its interest rate risk hedging, which could result in volatility in equity reserve balances. These changes do not require comparatives for the 2004/05 financial year.

<p>Credit loss (loan) provisioning</p> <p>Initial impact on retained earnings at 1 July 2005 Volatility in future earnings Lower general provision</p>	<p>A-IFRS adopts an approach known as “incurred losses” for credit loss provisioning and provides guidance on measurement on incurred losses. Provisions are raised for losses that have already been incurred for exposures that are known to be impaired. The estimated losses on these impaired exposures are then discounted to their present value. As this discount unwinds, there is a resulting recognition of interest in the statement of financial performance during the period between recognition of impairment and recovery of the written down amount.</p> <p>Smaller loans, such as consumer lending products, will not be individually assessed but impairment tested in portfolios based upon similar risk profiles using objective evidence, on the basis of historical loss experience.</p> <p>Currently, Bendigo Bank does not discount the cash flows associated with impaired loans when assessing potential losses, so it is anticipated that the level of provisioning will increase, thereby reducing reported profits.</p> <p>The Group currently maintains a general provision for doubtful debts for prudential reasons. As this provision is predominantly assessed on probable losses and not based on an event or loss that has been incurred, it is likely that the general provision will be reduced significantly to comply with A-IFRS.</p> <p>These changes do not require comparatives for the 2004/05 financial year.</p> <p>APRA, in its Discussion Paper issued on 24 February 2005, has proposed, for regulatory capital reporting, the creation of a general provision as an equity reserve. The reserve would be created from retained earnings and be calculated in line with current APRA prudential requirements.</p>
<p>Securitisation</p> <p>Possible new asset/liabilities recognised</p>	<p>Securitisations undertaken have been reviewed to ensure they meet the de-recognition requirements of A-IFRS. It is unlikely that any material value of securitised assets will require re-recognition.</p>
<p>Taxation</p> <p>New assets/liabilities recognised</p>	<p>A “balance sheet” approach will be adopted, replacing the “statement of financial performance” approach currently used in Australia. This method recognises deferred tax balances when there is a difference between the carrying value of an asset or liability, and its tax base. It is expected that the standard may require the group to carry higher levels of deferred tax assets and liabilities, including a tax liability in relation to the asset revaluation reserve.</p>
<p>Revenue and expense recognition</p> <p>Reclassification of revenue and expense items</p>	<p>Under A-IFRS, the Group will change the way it currently recognises certain revenue and expense items. Any fee income integral to the yield of an originated financial instrument, net of any direct incremental costs, must be capitalised and deferred over the expected life of the instrument. This is similar to current treatment and is not expected to have a material impact on reported profit, but some re-classifications of revenue between fee income and interest income will occur.</p>
<p>Capital implications</p>	<p>On 24 February 2005 APRA issued a Discussion Paper dealing with the prudential implications of the adoption of A-IFRS. This Discussion Paper outlines how APRA proposes to address the prudential implications of certain specific A-IFRS related changes, including loan loss provisioning, non-accrual loans and deferred acquisition costs, treatment of hedges, fair value measurement and available for sale assets. APRA has requested comments on the Discussion Paper by 29 April 2005. APRA's intention is that these proposals will take effect from 1 January 2006.</p> <p>Bendigo Bank is currently assessing the potential impact on its regulatory capital of the proposed approach APRA intends to adopt in relation to the A-IFRS matters set out in its Discussion Paper. Existing prudential rules apply in the interim.</p>

At this stage Bendigo Bank has not been able to quantify the final impacts on future financial reports. Bendigo Bank will continue to place a high priority on this project and will continue to include reference to the impacts in future reporting.

investment risks

6

Before applying for BPS, potential investors should consider whether BPS are a suitable investment for them. Potential investors should be aware that there are risks associated with an investment in BPS, many of which are outside the control of Bendigo Bank and its Directors. These risks include those set out in this Section and other matters referred to in this Prospectus.

The risks to which BPS are subject can be categorised as:

- > risks associated with investing in BPS; and
- > risks associated with Bendigo Bank and the banking sector generally.

The risks set out in this Section might, either individually or in combination, affect the future operating performance of Bendigo Bank and the value of an investment in Bendigo Bank. An investment in Bendigo Bank should be considered in light of these risks, both general and specific. The summary of risks below is not exhaustive. You should read this Prospectus in its entirety and consult your stockbroker, accountant or other professional adviser before deciding whether to apply for BPS.

6.1 RISKS ASSOCIATED WITH INVESTING IN BPS

Set out below are specific risks associated with an investment in BPS.

6.1.1 Financial market conditions

The market price of BPS will fluctuate due to various factors, including interest rates, general movements in the Australian and international equity markets, investor sentiment, worldwide or regional economic conditions, movements in the market price of Ordinary Shares, and factors which may affect Bendigo Bank's financial position and earnings.

The market price of BPS may be more sensitive than Ordinary Shares to changes in interest rates. Increases in relevant interest rates may adversely affect the market price of BPS and BPS could trade on ASX at a price below the Paid-up Value.

Ordinary Shares held as a result of any conversion of BPS will, following conversion, rank equally with existing Ordinary Shares. Accordingly, their value after any conversion will depend upon the market price of Ordinary Shares.

6.1.2 Liquidity of market for BPS

The market on ASX for BPS may be less liquid than the market on ASX for the Ordinary Shares.

Holder who wish to sell BPS may be unable to do so at an acceptable price, or at all, if insufficient liquidity exists in the market for BPS.

6.1.3 Ability to pay Dividends

BPS are not debt instruments, and the Dividends payable are not the same as interest payments.

The payment of a Dividend is subject to the following conditions:

- > the Directors, at their discretion, declaring the Dividend to be payable;
- > Bendigo Bank having profits available for the payment of a Dividend;
- > the payment of the Dividend having the result that Bendigo Bank and the consolidated Group will still comply with APRA's capital adequacy guidelines as they are applied at that time (unless APRA otherwise gives its prior approval);
- > unless otherwise approved by APRA, the amount of the payments on Tier 1 Securities not exceeding the Distributable Profits; and
- > APRA not otherwise objecting to the payment of the Dividend.

There is a risk that one or more of these conditions may not be satisfied and a Dividend may not be paid (see Section 3.11 for the consequences of this).

Dividends are non-cumulative, and therefore any Dividend which is not declared may not be made up in subsequent periods.

6.1.4 Exchange by Bendigo Bank

Bendigo Bank may Exchange all or some BPS under certain specified circumstances. If Bendigo Bank is entitled to Exchange, it can select from a number of methods to effect the Exchange. See Section 3.19 and 3.20 and Clause 3.1 of the Terms of Issue.

One method of Exchange available to Bendigo Bank is to convert BPS into Ordinary Shares (see Section 3.20 and Clause 3.1 of the Terms of Issue). Any Ordinary Shares held by Holders as a result of conversion of BPS will have the same rights as other Ordinary Shares, which are different to the rights attached to BPS. The number of additional Ordinary Shares issued on conversion will depend on a number of factors, including the Ordinary Share price over the 20 Business Days immediately prior to the Exchange Date. The value of the additional Ordinary Shares issued on the Exchange Date may therefore be different to the value calculated through the 20 Business Day pricing period.

As an alternative to conversion, on Exchange Bendigo Bank may elect to redeem, buy-back or cancel BPS for cash at their Paid-up Value. Depending on when a Holder bought BPS, this could be higher or lower than the price paid by the Holder for BPS.

6.1.5 Early Exchange

Bendigo Bank may Exchange all BPS at times other than at a Reset Date following the occurrence of a Tax Event, Regulatory Event of Accounting Event or in the event of certain takeovers or schemes of arrangement involving Bendigo Bank (see Section 3.19 and Clause 3.1 of the Terms of Issue). This could occur at a time prior to the first Reset Date or between Reset Dates and before a Holder wishes to dispose of its BPS. This may have negative consequences for a Holder depending on their individual circumstances.

6.1.6 Exchange Alternatives available to Bendigo Bank

As noted above, if entitled to Exchange Bendigo Bank may have a number of different exchange methods available from which to select. The method of Exchange chosen by Bendigo Bank may not coincide with a Holder's individual preference in terms of timing or whether the Holder receives Ordinary Shares or cash in return for BPS, and may be disadvantageous to the Holder in light of market conditions or individual circumstances at the time.

6.1.7 Reset Mechanism

Subject to various conditions, Bendigo Bank may seek to reset certain terms of BPS on any Reset Date (see Section 3.16 and Clause 4 of the Terms of Issue). The first Reset Date is 15 June 2015.

The terms which Bendigo may seek to reset are:

- > the Market Rate;
- > the Margin;
- > the frequency and timing of Dividend Payment Dates;
- > the Conversion Discount; and
- > the next Reset Date.

Any changes sought to be made on a Reset Date may have a material effect on the market price or liquidity of BPS. There can be no assurance that Bendigo Bank will seek to make changes to the terms of BPS on any Reset Date in a manner which is favourable to Holders.

If the Holder does not like the proposed terms, the Holder may deliver a notice to Bendigo Bank rejecting the proposed terms. In that case, Bendigo Bank may convert the Holder's BPS, or all BPS, into Ordinary Shares. Alternatively, Bendigo Bank may reset the Margin by increasing it by an amount of no more than 1%, and reset no other terms (see Sections 3.17 and 3.18 and Clause 4 of the Terms of Issue).

The ability of Bendigo Bank to reset the terms of BPS or increase the Margin are subject to various constraints (see Clause 4.2 of the Terms of Issue).

6.1.8 Holders have no right to require Bendigo Bank to Exchange BPS

A Holder has no right of conversion, and a Holder cannot require Bendigo Bank to Exchange any BPS.

Bendigo Bank may choose to Exchange some or all BPS when that does not coincide with the Holder's individual preferences and that might disadvantage the Holder in light of the market conditions or individual circumstances.

6.1.9 Ranking of BPS

The BPS are not debt instruments. If Bendigo Bank is wound up, Holders of BPS will rank behind all depositors and creditors of Bendigo Bank, but in priority to Ordinary Shareholders for a return of capital (not exceeding the Paid-up Value) and any Dividends declared but unpaid.

In the event of a shortfall of funds on a winding up, there is a risk that Holders of BPS will not receive a full (or any) return of capital or payment of any Dividends declared but unpaid.

6.1.10 Future issues of securities

Bendigo Bank may issue other preference shares, including other BPS, which rank ahead of or equally with BPS, without the approval of the Holders. In addition, Bendigo Bank may also issue other securities that rank ahead of, equally with or behind BPS for dividends or repayment of capital in a winding up of Bendigo Bank. Such further issues of securities by Bendigo Bank may affect the price of BPS and the liquidity of BPS and may also impact on the ability of Bendigo Bank to pay Dividends or the sufficiency of funds on a winding up.

6.1.11 Taxation treatment

A summary of the potential taxation implications for Holders is set out in Section 7. This discussion is in general terms and is not intended to provide specific advice in relation to the circumstances of any particular Holder. Accordingly, investors should seek independent professional advice in relation to their own individual taxation position.

If there is a change to the taxation system which has the effect of increasing the costs to Bendigo Bank of having BPS on issue (other than minor increases), or which will cause BPS not to be treated as equity interests for taxation purposes, or which will adversely impact the franking position in respect of BPS, Bendigo Bank may convert BPS into Ordinary Shares or, subject to APRA's prior approval, redeem, buy back or cancel BPS for cash at their Paid-up Value (see Clause 3.1 of the Terms of Issue).

Therefore, the exact period for which Holders will be entitled to the benefit of the rights attaching to BPS is unknown.

6.1.12 Accounting treatment

Changes to accounting standards that apply to Bendigo Bank may impact on the accounting treatment of BPS and consequently may impact on the classification by APRA of BPS as Tier 1 Capital.

A written accounting opinion has been obtained from Ernst & Young to confirm that BPS should be classified as equity for accounting purposes following the introduction of the currently envisaged A-IFRS regime. However, there is a possibility that the final A-IFRS may differ from the currently envisaged regime. If BPS were reclassified as a liability as a result of the finalisation of A-IFRS, this would result in the reclassification of Dividends as an interest expense in arriving at the net profit or loss after tax attributable to Ordinary Shareholders on a consolidated basis. In those circumstances, the Directors would be entitled to convert BPS into Ordinary Shares or, subject to APRA's prior approval, redeem, buy-back or cancel BPS for cash at their Paid-up Value (see Clause 3.1 of the Terms of Issue).

6.1.13 Regulatory classification risk

APRA has approved the classification of BPS as Tier 1 Capital. However, APRA is currently unable to approve classification of BPS as equity under the proposed A-IFRS. If APRA subsequently determines that BPS do not constitute Tier 1 Capital, then this would likely constitute a Regulatory Event under the Terms of Issue, which would enable Bendigo Bank to convert BPS into Ordinary Shares or, subject to APRA's prior approval, redeem, buy back or cancel BPS for cash at their Paid-up Value (see Clause 3.1 of the Terms of Issue).

6.1.14 Credit rating

There is a risk that the credit ratings of Bendigo Bank could be reviewed or downgraded in the future which may impact the market price and liquidity of BPS.

6.1.15 Franking

Bendigo Bank expects the Dividends paid on BPS to be fully franked. However, there is no guarantee that Bendigo Bank will have sufficient franking credits in the future to fully frank Dividends.

If, on a Dividend Payment Date, the Australian corporate tax rate applicable to the franking account of Bendigo Bank differs to the Australian corporate tax rate on the Issue Date or the immediately preceding Reset Date (depending on the extent to which any terms of BPS have been reset), the Dividend will be adjusted downwards or upwards accordingly (see Section 3.9 and Clause 2.1 of the Terms of Issue).

Where a Dividend is not fully franked, Bendigo Bank will increase the Dividend to compensate Holders for the unfranked component (see Section 3.8 and Clause 2.1 of the Terms of Issue). Should a Dividend not be fully franked and Bendigo Bank does not increase the Dividend, then Bendigo Bank will be restricted in payment of dividends and distributions of capital on securities ranking equally with or below BPS (see Section 3.11 and Clause 2.8 of the Terms of Issue).

6.2 RISKS ASSOCIATED WITH BENDIGO BANK

6.2.1 General Business Risks

The financial prospects of any company are sensitive to the underlying characteristics of its business and the nature and extent of the commercial risks to which the company is exposed. There are a number of risks faced by Bendigo Bank, including those which encompass a broad range of economic and commercial risks. However, the most common risks that Bendigo Bank actively manages are credit risk, interest rate risk, liquidity risk, currency risk and operational risk (including fraud, theft and property damage). These risks create the potential for Bendigo Bank to suffer loss from:

- (a) **Credit risk:** The risk of financial loss due to the unwillingness or inability of a counterparty to fully meet their contractual debts and obligations. Credit risk is primarily monitored by the Credit Committee and the framework, policies, analysis and reporting are managed by the Group Risk business unit (which includes the Group's credit bureau and credit inspection unit).
- (b) **Interest rate risk:** The risk of loss of earnings due to adverse movements in interest rates. Interest rate risk is primarily monitored through the Risk Committee and the Asset Liability Management Committee and managed through the Strategic Finance business unit.
- (c) **Liquidity risk:** The risk of the inability to access funds which may lead to an inability to meet obligations in an orderly manner as they arise or forgone investment opportunities. Liquidity risk is primarily monitored by the Risk Committee through the Asset Liability Management Committee and managed through the Group Strategic Finance business unit.
- (d) **Currency risk:** The risk of loss of earnings due to adverse movements in exchange rates. Currency risk is primarily monitored by the Risk Committee through the Asset Liability Management Committee and managed through the Group Strategic Finance business unit.
- (e) **Operational risk:** The risk resulting from inadequate or failed internal processes, people and systems or from external events that are not covered by credit and market risk. Operational risk is primarily monitored by the Risk Committee and the management Executive Committee and managed through the Group Risk business unit incorporating operational risk, regulatory compliance, fraud prevention and detection and business continuity.

The Directors have adopted policies and procedures to control exposures to, and limit the extent of, these risks. In addition, Bendigo Bank has an independent internal audit function that oversees all functions across the Group. Whilst there are inherent limitations in any risk management control system and control breakdowns and system failures can occur, the development and maintenance of effective control systems should provide a solid foundation for risk management.

6.2.2 Changes in Economic Conditions

The financial performance of Bendigo Bank could be affected by changes in economic conditions in Australia. Such changes include:

- (a) changes in inflation and interest rates, which will particularly affect the net interest margin achieved in Bendigo Bank's banking operations;
- (b) changes in employment levels and labour costs, which will affect the cost structure of Bendigo Bank;
- (c) changes in aggregate investment and economic output;
- (d) other changes in economic conditions, which may affect the creditworthiness of lending customers of Bendigo Bank and the quality of Bendigo Bank's loan portfolio; and
- (e) housing prices and demand for housing loans which could reduce Bendigo Bank's loan receivables and net interest income.

Global economic factors and geo-political instability can also affect economic conditions in Australia and therefore affect the financial performance of Bendigo Bank.

6.2.3 Changes in Investment Markets

Changes in investment markets, including changes in interest rates, exchange rates and returns from equity, property and other investments, will affect the financial performance of Bendigo Bank through its operations and investments held in financial services and associated businesses.

6.2.4 Regulatory Changes

Bendigo Bank is subject to substantial regulatory and legal oversight. In particular, the Australian banking operations of Bendigo Bank are subject to prudential supervision by APRA. Bendigo Bank is required, amongst other things, to meet minimum capital requirements within these operations.

Changes in the regulatory regimes under which Bendigo Bank operates may have a significant effect on the financial performance and capital requirements of Bendigo Bank.

Failure to comply with legal and regulatory requirements may have a material adverse effect on Bendigo Bank and its reputation among customers and regulators and in the market. Future regulatory and legal developments affecting the financial services industry may also have a material adverse effect on Bendigo Bank.

In addition to regulatory and taxation risks associated with an investment in BPS, potential changes to the Australian and international regulatory environment may have a material adverse effect on Bendigo Bank. These risks include changes to:

- > accounting standards
- > taxation laws; and
- > prudential regulatory requirements, particularly those administered by APRA.

6.2.5 Changes in Government Policy

Bendigo Bank may be affected by changes in government policy or legislation applying to companies in the financial services industry. Any proposed change to the taxation treatment of any of the companies within the Group may impact the after tax earnings of Bendigo Bank.

6.2.6 Competition in the Financial Services Industry

The financial services industry in Australia is competitive and subject to significant change. Bendigo Bank faces significant competition from both traditional banking groups and non-bank financial institutions, which compete vigorously for customer investments and deposits and the provision of lending and wealth management services. The effect of competitive market conditions may adversely impact on the earnings and assets of Bendigo Bank.

6.2.7 Changes in Technology

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

6.2.8 Operations

Whilst Bendigo Bank has operational risk management practices, its profitability will continue to be subject to a variety of operational risks including strategic and business decisions (including acquisitions), technology risk (including business systems failure), reputational risk (including damage to brands), fraud, compliance with legal and regulatory obligations, counterparty performance under outsourcing arrangements, business continuity planning, legal risk, data integrity risk, key person risk and external events.

6.2.9 Community Bank Franchises

Under its Community Bank[®] business, Community Bank[®] branches of Bendigo Bank operate in all States and the ACT. The branches are operated by companies that have entered into franchise and management agreements with Bendigo Bank to manage and operate a Community Bank[®] branch of Bendigo Bank. Under a standard franchise agreement, Bendigo Bank derives revenue through the Community Bank[®] business from the payment by franchisees of franchise fees and other fees, as well as through revenue sharing arrangements. The staff of each franchisee are trained by Bendigo Bank and, in some cases, are seconded from Bendigo Bank.

While Bendigo Bank considers carefully the suitability of potential franchisees and the community undertakes extensive community campaigning and business planning processes, there can be no guarantee of the success of a Community Bank[®] branch. In particular, the Community Bank[®] business has only been in operation since 1998, and many Community Bank[®] branches have only been operating for a few years. As a growing network, a material portion of the network is relatively new and there are risks that may develop over time. For example, it is possible that one or more branches may not be able to sustain the level of revenue or profitability that they currently achieve (or that it is forecasted that they will achieve).

THE ABOVE SUMMARY IS NOT EXHAUSTIVE AND INVESTORS SHOULD READ THIS PROSPECTUS IN ITS ENTIRETY AND CONSULT THEIR STOCKBROKER, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER BEFORE DECIDING WHETHER TO APPLY FOR BPS.

Further, under the standard franchise agreement each franchise is subject to periodic renewal, subject to the franchisee satisfying certain conditions, at the option of the franchisee. Thus it is possible that a franchisee will not want to (or be able to) renew its franchise. This may impact on the number of Community Bank[®] branches in operation.

Poor performance by one or more franchisees, or the termination of one or more franchise agreements, may cause a loss in revenue and cause harm to the brand names Bendigo Bank relies on and to Bendigo Bank.

taxation implications

7

16 March 2005

Private & Confidential

The Directors
Bendigo Bank Limited
Second Floor
Fountain Court
BENDIGO VIC 3550

Dear Directors

**Bendigo Bank Limited (Bendigo Bank)
Bendigo Bank Preference Shares (BPS) Taxation Opinion**

1. This letter has been prepared at your request for inclusion in a prospectus ("Prospectus") in relation to the proposed issue of BPS with a face value of \$100 each.
2. The information contained in this letter is intended to be a general outline of the taxation consequences for BPS investors based on the taxation law, interpretations and administrative practices currently in force as at the date of this letter.
3. The letter outlines the general taxation consequences for Australian resident investors (individuals, complying superannuation funds and companies) who hold the BPS on capital account. It is not intended to provide an exhaustive or definitive statement of the possible taxation consequences for investors.
4. The information contained in this letter does not apply to investors that:
 - > Hold BPS as trading stock in the course of the carrying on of a business;
 - > Hold BPS for the purpose of resale at a profit;
 - > Are not residents of Australia for income tax purposes; or
 - > Are exempt from Australian income tax.
5. This opinion is not intended to be an authoritative or exhaustive statement of the law applicable to the particular circumstances of all taxpayers. The information is not advice and so should not be relied upon on that basis. The taxation consequences for particular investors will depend on their individual circumstances. Therefore, investors should obtain their own professional taxation advice on the taxation consequences of investing in the BPS.
6. The taxation information is being provided by Ernst & Young, which is not required to hold an Australian Financial Services Licence (AFSL) under the Corporations Act 2001 to provide that information. The information is confined to taxation issues and is only one of the matters that must be considered when making a decision as to whether to invest in BPS. All potential investors should consider taking advice from a holder of an AFSL before making a decision as to whether they should invest in BPS.
7. This letter should be read in conjunction with the remainder of the Prospectus. Defined terms used in this letter are consistent with those set out in the Prospectus.

Liability limited by the Accountants Scheme, approved
under the Professional Standards Act 1994 (NSW).

Taxation Discussion

Nature of BPS

8. In our view, BPS will constitute an equity interest for the purposes of the Income Tax Assessment Act 1997 (the 1997 Act). This is because Bendigo Bank (or the Bank and any associated entity) will not have an “effectively non-contingent obligation” to provide any “financial benefits” to the holders of the BPS for the purposes of the 1997 Act. Further, returns to the holders of the BPS are contingent on the economic performance of Bendigo Bank.
9. As an equity interest, BPS returns will be of the nature of a dividend for tax purposes and will therefore be able to be franked.

Assessability of dividends

10. Dividends received by investors will need to be included in assessable income as ordinary income.

Individuals

11. An individual taxpayer that receives a dividend will be required to “gross up” the amount of the dividend by an amount equal to the franking credit to take account of the tax already paid by Bendigo Bank, and apply their marginal tax rate to the “grossed up” dividend amount, including the franking credit. Individuals may be entitled to a tax (franking) offset up to the amount of the franking credit included in their assessable income.
12. In effect, if an individual’s marginal rate of tax is greater than 30%, the individual will be required to pay “top up tax” on the grossed amount at a rate equal to the difference between the individual’s marginal rate and 30%. Alternatively, where an individual’s marginal tax rate is less than 30%, they may receive a tax offset that will reduce tax payable on other income, or result in a refund of the excess franking credits.
13. Where the dividend received is unfranked, there is no franking gross up and the individual will be taxed at their marginal rate on the dividend received with no tax offset.

Complying Superannuation Funds

14. Similar to an individual taxpayer, a complying superannuation fund that receives a dividend will be required to “gross up” the amount of the dividend by an amount equal to the franking credit to take account of the tax already paid by Bendigo Bank, and apply the prevailing tax rate (i.e. 15%) to the “grossed up” dividend amount including the franking credit. Like individuals, complying superannuation funds should be entitled to a tax offset or refund of excess franking credits if the applicable tax rate of the superannuation fund is less than 30%.

Companies

15. Where an investor is a subsidiary member of a tax consolidated group, any reference in the income tax sections in this document to such an investor, should be read as a reference to the head entity of that group and not the subsidiary member.
16. A resident corporate taxpayer that receives a dividend will also be required to “gross up” the amount of the dividend by an amount equal to the franking credit to take account of the tax already paid by Bendigo Bank, and apply the company rate of tax to that “grossed up” dividend amount.
17. The corporate investor should be entitled to a franking offset equal to the amount of franking credits included in its assessable income. In certain circumstances, corporate taxpayers that have insufficient income tax liabilities to fully utilise franking offsets may convert those excess franking offsets into a tax loss.

In addition, corporate taxpayers will record a credit in their franking account to reflect the underlying tax paid by Bendigo Bank in respect of the dividend (i.e. an amount equal to the franking credit attached to the dividend).

18. Where a dividend does not have a franking credit attached to it, a resident corporate taxpayer investor will include in its assessable income the amount of the dividend only, and will not be entitled to a tax offset.

Holding period rule

19. The availability of any franking benefit (including an entitlement to a tax offset) to investors will be subject to the “holding period rule”. Broadly, this requires investors to hold the BPS “at risk” for a period of at least 90 days during the primary qualification period which commences the day after the date of acquisition and ends 90 days after the day the shares become ex-dividend. Investors are required to retain more than 30% or more of the risks and benefits associated with holding the BPS for a continuous period of at least 90 days within the primary qualification period. This 90 day period does not include the day on which the investor acquired the BPS and also does not include the day on which the investor disposes of the BPS.
20. Individual investors may qualify for the small shareholder exemption under the “holding period rule” where the sum of the franking offsets to which the investor would be entitled, from all sources, does not exceed \$5,000 in the income year. The small shareholder exemption will not apply if the individual investor has made or is likely to make a “related payment” in respect of the dividend, or a distribution attributable to the dividend. A related payment is broadly a payment whereby the benefit of the dividend or distribution is passed onto another person or persons.
21. If an investor does not satisfy the “holding period rule” in relation to a dividend, the franking credit attached to the dividend will not be included in the investor’s assessable income, and the investor will not be entitled to the tax offset in relation to the franking credit.
22. The above is a general summary of the “holding period rule”, and it may apply differently depending on each investor’s particular circumstances. In addition, where an investor or associate has made, or may make, a “related payment” in respect of the dividend, different rules may apply to that investor. We recommend that investors obtain their own advice on the potential application of the holding period and related payments rules.

Exchange of BPS

Exchange for Ordinary Shares in Bendigo Bank

23. Where Bendigo Bank elects to “exchange” a BPS for Bendigo Bank Ordinary Shares, the rights attaching to the BPS would be varied so that it becomes an Ordinary Share. Once the investor’s BPS has been converted into an Ordinary Share the investor will then be allotted an additional number of Ordinary Shares in accordance with the terms of the exchange.
24. This process will not constitute a cancellation, redemption or termination of the BPS. For tax purposes, this exchange should not trigger a Capital Gains Tax (CGT) event.
25. For the purposes of calculating the cost base of the Ordinary Shares for CGT purposes, the cost of each original BPS should be apportioned between the total Ordinary Shares for which the BPS is exchanged.
26. For CGT purposes, the Ordinary Shares should be treated as having been acquired by the investor at the time the BPS was originally acquired.
27. A CGT event would arise if an investor later disposes of their Ordinary Shares. Broadly, a capital gain would arise if the capital proceeds received on disposal of the Ordinary Shares by the investor exceed the cost base of the Ordinary Shares to the investor. A capital loss would arise if the capital proceeds received on disposal were less than the reduced cost base of the Ordinary Shares to the investor.
28. The cost base of the Ordinary Shares should include the investor’s acquisition cost (modified as discussed above for the number of Ordinary Shares arising from the exchange of each BPS), incidental acquisition and disposal costs (for example, brokerage) and non-capital costs of ownership that are not deductible to the investor. The reduced cost base would be similar to the cost base, but would not include the non-capital costs of ownership.
29. Any net capital gain arising would be required to be included in the assessable income of the investor in the income year the investor agrees to sell their shares. Any capital loss could only be used to offset capital gains.
30. An individual investor or a complying superannuation fund investor may be entitled to discount the amount of the taxable capital gain (after application of capital losses) arising from the disposal of Ordinary Shares. The capital gain can be discounted by 50% for individual investors and by 33.3% for complying superannuation fund investors. This discount is only available if the disposal occurs at least 12 months after the date of acquisition of the BPS and certain other requirements are satisfied. No CGT discount concession is available for a corporate tax entity.

Exchange for Cash

31. Bendigo Bank may elect to exchange BPS for cash via a redemption, buy-back or cancellation of the BPS for their paid up value. The taxation treatment for an investor that disposes of BPS as part of a cash exchange will depend on whether the transaction is a buy-back, redemption or cancellation of shares, at Bendigo Bank's option. Each of these transactions should give rise to CGT events for investors. However, the exact taxation treatment will depend upon which method is used and the circumstances of the exchange. In particular, to the extent the redemption is funded from profits of Bendigo Bank rather than the proceeds of a new share issue, all or part of the amount may be treated as a dividend and included in the assessable income of the holder. Accordingly, we strongly recommend that investors obtain their own professional taxation advice on the taxation consequences in the event of such an exchange.

Selling of BPS

32. If an investor disposes of their BPS by sale on the Australian Stock Exchange or otherwise, a CGT event will occur. This will give rise to a capital gain or a capital loss.
33. A capital gain will arise if the capital proceeds received on disposal exceed the cost base of the BPS to the investor. The cost base of the BPS to the investor will include the acquisition cost and any incidental costs on acquisition or disposal and non-capital costs of ownership that are not deductible to the investor. As discussed above, an individual investor or a complying superannuation fund investor may be able to discount this capital gain if the investor had held the BPS for at least 12 months before disposal and certain other requirements are satisfied.
34. A capital loss would arise if the capital proceeds received on disposal were less than the reduced cost base of the BPS to the investor. Broadly, the reduced cost base will be similar to the cost base, but will not include the non-capital costs of ownership.
35. Any net capital gain arising would be required to be included in the assessable income of the investor. Any capital loss may only be used to offset capital gains.

Quotation of Tax File Numbers

36. Investors will be able to quote their Tax File Number (TFN) or claim an exemption from doing so, if applicable. Although quotation of a TFN is not compulsory, failure to quote a TFN by an investor that is not exempt from doing so will result in an amount of tax being withheld from any part of a dividend that does not have a franking credit attached to it. The rate at which the tax will be withheld is the highest marginal tax rate plus Medicare Levy (currently 48.5% in total). The tax withheld may be claimed as a tax credit by the investor in their income tax return for the relevant year.
37. Alternatively, where the investor holds BPS in the course or furtherance of an enterprise carried on by the investor, the investor may quote its Australian Business Number (ABN).

Anti-Avoidance Provisions

38. There are anti-avoidance provisions in the taxation laws relating to dividend streaming arrangements and franking credit benefits that allow the Commissioner of Taxation to make a determination to deny shareholders the benefit of franking credits and other benefits associated with franking credits attached to dividends.
39. In our view, the terms of the issue and exchange of the BPS should not, of themselves, fall within those provisions and therefore the Commissioner should not make a determination under these anti-avoidance provisions in respect of the issue, exchange, and payment of a dividend in respect of the BPS.

Goods and Services Tax ("GST")

40. If an investor is not registered, or required to be registered, for GST there will be no GST consequences in respect of the acquisition, exchange or disposal of a BPS.
41. In the event an investor is registered, or required to be registered, for GST and the investor acquires, exchanges or disposes of a BPS, this transaction would be an input taxed financial supply. Input taxed financial supplies are not subject to GST. However, no input tax credits will be available for the GST incurred on acquisitions that relate to an input taxed financial supply, unless the acquisition is a reduced credit acquisition. Investors should seek GST advice as to the availability of reduced input tax credits on acquisitions.
42. There will be no GST consequences in respect of the payment of a dividend by Bendigo Bank to an investor.

* * * * *

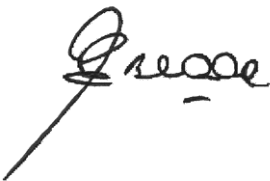
Disclaimer

The information contained in this opinion is of a general nature only and the taxation implications associated with an investment in the BPS will depend upon the tax profile of each investor. There is no specific Australian Taxation Office private ruling, product ruling or class ruling that has been issued in respect of this transaction. Investors should obtain independent taxation advice before investing in any BPS.

Neither the undersigned nor any of the partners of Ernst & Young have any interest in the promotion of the BPS. This opinion does not constitute an endorsement of the BPS or a recommendation by Ernst & Young of any participation in BPS by an intending investor.

Ernst & Young has given its consent to the inclusion of this letter in the Prospectus. However, it gives no assurance or guarantee in respect of the performance of BPS and its consent should not be taken as an endorsement or as a recommendation.

Yours faithfully



David Blake
Partner - Taxation

additional information

8

8.1 TERMS OF ISSUE OF BPS

8.1.1 Terms of Issue

The rights attaching to BPS will be governed by Bendigo Bank's Constitution and the Terms of Issue, which are set out in Appendix A.

8.1.2 Payment by instalment

The Face Value of \$100 per BPS is payable in 2 instalments as follows:

- > a first instalment of \$50 per BPS payable on lodging an Application; and
- > a Second Instalment of \$50 per BPS payable on 15 June 2006.

Bendigo Bank has the ability to extend the date for payment of the Second Instalment to 15 September 2006 or 15 December 2006 by giving Holders written notice of that extension no later than 15 April 2006.

If the Second Instalment is not paid by the due date for payment, interest may accrue on the outstanding amount and Bendigo Bank may be entitled to take other action including forfeiting any BPS on which the Second Instalment remains unpaid.

8.2 RIGHTS ATTACHING TO ORDINARY SHARES

Bendigo Bank may convert BPS into Ordinary Shares in the circumstances set out in the Terms of Issue. The main rights attaching to Ordinary Shares are to:

- > vote at meetings of Ordinary Shareholders on the basis of one vote on a show of hands and one vote for each fully paid Ordinary Share on a poll;
- > receive dividends declared from time to time in proportion to the capital paid (or agreed to be paid) on the shares they hold (subject to the rights of holders of shares carrying preferred rights, such as BPS);
- > receive information required to be distributed to shareholders under the Corporations Act and the ASX Listing Rules (eg, notices of meeting and annual reports); and
- > participate in a surplus of assets or profits on a winding up of Bendigo Bank in proportion to the capital paid up on the shares they hold (subject to the rights of holders of shares carrying preferred rights, such as BPS).

The rights attaching to Ordinary Shares are set out in more detail in the Constitution. Copies of the Constitution are available from Bendigo Bank's registered office or on Bendigo Bank's website at www.bendigobank.com.au.

8.3 OWNERSHIP RESTRICTIONS

Ownership of shares in Bendigo Bank is restricted by the *Financial Sector (Shareholdings) Act 1998* (Cth), which limits the ownership by persons (together with their associates) of companies that are subject to that Act to 15% of the total voting shares in the relevant company. A shareholder may apply to the Australian Treasurer to extend its ownership beyond 15%, but approval depends on the Treasurer being satisfied that a holding by that person of more than 15% is in the national interest. The approval may be subject to conditions.

8.4 BENDIGO BANK'S REPORTING AND DISCLOSURE OBLIGATIONS

Bendigo Bank is a disclosing entity for the purposes of the Corporations Act and is therefore subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules.

These obligations require Bendigo Bank to notify ASX of information about specified events and matters as they arise for the purposes of ASX making that information available to the stock market conducted by ASX.

In particular, Bendigo Bank has an obligation under the ASX Listing Rules (subject to certain limited exceptions) to notify ASX immediately of any information concerning Bendigo Bank of which it is or becomes aware which a reasonable person would expect to have a material effect on the price or value of Bendigo Bank's shares. Bendigo Bank is also required to prepare and lodge with ASIC and ASX both yearly and half-yearly financial statements accompanied by a Directors' declaration and report and an audit or review report.

8.5 AVAILABILITY OF DOCUMENTS

The ASX maintains detailed records of company announcements for all companies listed on ASX. Bendigo Bank's file is available for inspection at the ASX in Melbourne, and Bendigo Bank's announcements may be viewed on the ASX's website at www.asx.com.au.

ASIC also maintains records in respect of documents lodged with it by Bendigo Bank and these may be obtained from or inspected at any office of ASIC.

Bendigo Bank will provide a copy of any of the following documents, free of charge, to any person who requests a copy during the application period in relation to this Prospectus:

- > the annual financial report lodged with ASIC by Bendigo Bank for the year ended 30 June 2004;
- > the half-year financial report lodged with ASIC by Bendigo Bank for the six months ended 31 December 2004; and
- > any other document used to notify the ASX of information relating to Bendigo Bank under the continuous disclosure provisions of the ASX Listing Rules after the date of lodgement of the annual financial report referred to above and before lodgement of this Prospectus with ASIC.

8.6 ELECTRONIC PROSPECTUS

This Prospectus is available in electronic form on the Bendigo Bank web site at www.bendigobank.com.au. The Offer constituted by this Prospectus in electronic form is available to persons receiving this prospectus in electronic form within Australia. Applicants using the Application Form attached to the electronic version of this Prospectus must be resident in and located in Australia. A paper copy of this Prospectus is available free of charge by calling the Bendigo Bank BPS Information Line on 1300 656 793.

Persons who receive the electronic version of this Prospectus should ensure that they download and read the Prospectus in its entirety.

An Application can be made by completing and lodging a paper copy of the Application Form included with or accompanying this Prospectus, or by printing a copy of the Application Form from the electronic version of this Prospectus. Applications cannot be made online. The Application Form must be completed in accordance with the instructions set out in the Application Form.

The Corporations Act prohibits any person from passing the Application Form to another person unless it is included with or accompanies a paper copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

8.7 OFFER RESTRICTIONS

This Prospectus does not constitute an offer of securities in the US or to any US Person (as defined in Regulation S under the US Securities Act of 1933). BPS have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the US or to, or for the account of, any US Person except in a transaction that is exempt from the registration requirements of the US Securities Act of 1933 and applicable US state securities laws.

8.8 OFFER MANAGEMENT AGREEMENT

Bendigo Bank entered into the Offer Management Agreement with the Lead Manager on 16 March 2005. Under the Offer Management Agreement, the Lead Manager has agreed to manage and market the Offer, including by using its reasonable endeavours to solicit valid applications for BPS.

Nothing in the Offer Management Agreement constitutes an agreement by the Lead Manager to underwrite the Offer.

8.8.1 Fees

The Lead Manager is entitled to receive a fee of 1.25% of the Face Value per BPS issued under the Offer (excluding GST).

Bendigo Bank must pay any stamp duty in relation to the Offer Management Agreement or the Offer and incidental costs and expenses of the Offer.

8.8.2 Undertakings by Bendigo Bank

Bendigo Bank gives a number of undertakings, representations and warranties under the Offer Management Agreement, including in relation to the conduct of the Offer, the accuracy of this Prospectus and compliance by Bendigo Bank with applicable laws.

Bendigo Bank also gives an undertaking that it will not, without the prior written consent of the Lead Manager (which consent will not be unreasonably withheld) at any time in the period of 90 days following the Issue Date:

- (a) allot or agree to allot or indicate in any way that it may or will allot or agree to allot any preference shares or other securities that are convertible or exchangeable into securities with the same or similar terms to BPS, or that represent the right to receive such preference shares or other securities, of Bendigo Bank or any member of the Group other than pursuant to the Offer; and
- (b) allot or agree to allot or indicate in any way that it may or will allot or agree to allot any Ordinary Shares or other securities that are convertible or exchangeable into Ordinary Shares, or that represent the right to receive Ordinary Shares, or ordinary shares of any member of the Group, other than under an existing employee share plan or dividend reinvestment plan.

8.8.3 Termination

The Lead Manager may terminate the Offer Management Agreement by notice to Bendigo Bank upon becoming aware of the happening of any one or more of the following events:

- (a) a statement contained in this Prospectus is misleading or deceptive, or a matter is omitted from the Prospectus;
- (b) the due diligence report or any other information supplied by or on behalf of Bendigo Bank to the Lead Manager in relation to the Group or the Offer is misleading or deceptive;
- (c) there occurs a new circumstance in relation to Bendigo Bank or any entity in the Group that has arisen since this Prospectus was lodged that would have been required to be included in this Prospectus if it had arisen before the Prospectus was lodged;
- (d) there is introduced or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any State of Australia a new law, or the Reserve Bank of Australia, or any Commonwealth or State authority, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of this Prospectus), any of which does or is likely to prohibit or regulate the Offer, capital issues or stock markets or materially adversely affect the taxation treatment of BPS;
- (e) a contravention by Bendigo Bank or any entity in the Group of the Corporations Act, the Constitution, or any of the ASX Listing Rules;

- (f) this Prospectus or any aspect of the Offer does not comply with the Corporations Act, the ASX Listing Rules or any other applicable law or regulation;
- (g) approval is refused or approval is not granted which is unconditional or conditional on only customary quotation conditions which would not have a material adverse effect on the success of the Offer to the quotation of all BPS on ASX, or if granted, the approval is subsequently withdrawn, qualified (other than by customary quotation conditions) or withheld, or ASX removes Bendigo Bank from the official list of ASX or suspends trading in its securities (other than at the request of Bendigo Bank to facilitate the Offer or with the consent of the Lead Manager (such consent not to be unreasonably withheld)); or
- (h) any of the following notifications are made:
- (i) ASIC issues an order under section 739 of the Corporations Act;
- (ii) an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to this Prospectus or ASIC commences any investigation or hearing under Part 3 of the *Australian Securities and Investments Commission Act 2001* (Cth) in relation to this Prospectus;
- (iii) any person (other than the Lead Manager) gives a notice under section 733(3) of the Corporations Act or any person (other than the Lead Manager) who has previously consented to the inclusion of its name in this Prospectus (or any supplementary or replacement prospectus) or to be named in this Prospectus withdraws that consent; or
- (iv) any person gives a notice under section 730 of the Corporations Act in relation to the Prospectus;
- (i) Bendigo Bank withdraws this Prospectus or the Offer;
- (j) a default by Bendigo Bank in the performance of any of its obligations under the Offer Management Agreement occurs;
- (k) a warranty contained in the Offer Management Agreement on the part of Bendigo Bank is not true or correct; or
- (l) a change in senior management or the board of directors of Bendigo Bank occurs or a director of Bendigo Bank is charged with an indictable offence.

However, if an event referred to in paragraph (a), (b),(c), (e), (f), (j), (k) or (l) occurs, the Lead Manager may not terminate the Offer Management Agreement unless it has reasonable and bona fide grounds to believe and does believe that the event has or is likely to have a materially adverse effect on the outcome of the Offer or could give rise to a material liability of the Lead Manager under any law or regulation.

8.8.4 Indemnity

Bendigo Bank has agreed to indemnify the Lead Manager, its directors and officers and its respective related bodies corporate against all losses arising from or in connection

with this Prospectus and the Offer. The indemnity does not apply to any losses to the extent that those losses are judicially determined to result from any fraud, recklessness, wilful misconduct or negligence of the Lead Manager or another indemnified party.

8.9 DIRECTORS' INTERESTS

Except as set out in this Prospectus, no director or proposed director of Bendigo Bank holds, at the time of lodgement of this Prospectus with ASIC, or has had in the two years before lodgement of this Prospectus with ASIC, any interest in:

- > the formation or promotion of Bendigo Bank;
- > the Offer; or
- > any property acquired or proposed to be acquired by Bendigo Bank in connection with its formation or promotion or the Offer,

other than in their capacity as a Shareholder.

Except as set out in this Prospectus, no one has paid or agreed to pay any amount, and no one has given or agreed to give any benefit, to any director or proposed director of Bendigo Bank:

- > to induce that person to become, or to qualify as, a director of Bendigo Bank; or
- > for services provided by that person in connection with the formation or promotion of Bendigo Bank or the Offer.

8.10 INTERESTS OF ADVISERS

Except as set out in this Prospectus, no:

- > person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- > promoter of Bendigo Bank; and
- > broker to the Offer (including the Lead Manager),

(each, a **relevant person**) holds at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, any interest in:

- > the formation or promotion of Bendigo Bank;
- > the Offer; or
- > any property acquired or proposed to be acquired by Bendigo Bank in connection with its formation or promotion or the Offer.

Except as set out in this Prospectus, no one has paid or agreed to pay or given or agreed to give any benefit for services provided by a relevant person in connection with the formation or promotion of Bendigo Bank or with the Offer.

The amounts set out below are exclusive of GST.

Allens Arthur Robinson has acted as Australian legal advisers to Bendigo Bank in connection with the Offer. In aggregate, Bendigo Bank has paid or agreed to pay

Allens Arthur Robinson approximately \$215,000 (plus disbursements) for these services to the date of this Prospectus. Further amounts may be paid to Allens Arthur Robinson in accordance with its normal time-based charges.

Ernst & Young has provided tax and accounting advice in connection with the Offer and performed work in relation to the due diligence enquiries on financial matters in connection with the Offer. In aggregate, Bendigo Bank has paid or agreed to pay Ernst & Young approximately \$50,000 (plus disbursements) for these services to the date of this Prospectus. Further amounts may be paid to Ernst & Young in accordance with its normal time-based charges.

Macquarie Equity Capital Markets Limited has acted as the Lead Manager to the Offer in respect of which it will be entitled to receive a fee calculated in accordance with the terms of the Offer Management Agreement described in Section 8.8.

8.11 CONSENTS

None of the parties referred to below has made any statement in this Prospectus or any statement on which a statement made in this Prospectus is said to be based, other than as specified below. Each of the parties referred to below, to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name and a statement or report included in this Prospectus with the consent of that party, as specified below:

Allens Arthur Robinson has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to being named in this Prospectus in the form and context in which it is named.

Computershare Investor Services Pty Limited has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to being named in this Prospectus in the form and context in which it is named.

Ernst & Young has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to the inclusion of its taxation letter in Section 7 in the form and context in which it is included and to being named in this Prospectus in the form and context in which it is named.

Macquarie Equity Capital Markets Limited has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to being named in this Prospectus in the form and context in which it is named.

Standard & Poor's Australia Pty Ltd has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to the inclusion of the short-term and long-term credit ratings it has assigned to Bendigo Bank in this Prospectus in the form and context in which they are included and to being named in this Prospectus in the form and context in which it is named.

Fitch Australia Pty Ltd, Inc has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its

written consent to the inclusion of the short-term and long-term credit ratings it has assigned to Bendigo Bank in this Prospectus in the form and context in which they are included and to being named in this Prospectus in the form and context in which it is named.

8.12 ASX WAIVERS

The following waivers and confirmations have been obtained in connection with the Offer.

Bendigo Bank has been granted a waiver from ASX Listing Rule 10.11 to permit Directors and their related parties to be issued BPS under this Prospectus without shareholder approval, provided that:

- > all the Directors and their related parties combined are restricted to applying for no more than \$200,000 worth of BPS in total and they otherwise participate in the Offer on the same terms as other investors; and
- > Bendigo Bank makes a release to the market advising that ASX has granted a waiver from ASX Listing Rule 10.11 that allows all the Directors and their related parties to participate in the issue of BPS provided that the extent of the participation of all of them and their related parties combined is limited to that number of BPS having a total Face Value of no more than \$200,000 without obtaining shareholder approval for the issue.

Bendigo Bank has also obtained confirmation from ASX that:

- > ASX considers that the Terms of Issue are appropriate and equitable for the purpose of ASX Listing Rule 6.1;
- > ASX Listing Rule 6.10 does not apply to the Terms of Issue which provide for Bendigo Bank to change the dividend rate payable on BPS;
- > ASX Listing Rule 6.12 does not apply to the Terms of Issue which provide for the redemption, buy-back, cancellation of BPS or purchase of BPS by a third party; and
- > for the purpose of Listing Rule 7.1.4, ASX has no objection to the conversion rate of BPS to Ordinary Shares being calculated based on the market price of Ordinary Shares on the Issue Date.

Bendigo Bank also expects that ASX will grant approval to Bendigo Bank to allow BPS to trade on a deferred settlement trading basis for a short period following the issue and quotation of BPS.

8.13 DIRECTORS' CONSENT

Each Director has given, and not withdrawn, their consent to the lodgement of this Prospectus with ASIC.

8.14 GOVERNING LAW

This Prospectus, the Offer and the contracts formed on acceptance of Applications under the Offer are governed by the laws in force in the State of Victoria and the Company and each applicant for BPS submits to the non-exclusive jurisdiction of the courts of Victoria.

glossary

The following is a glossary of the terms used in this Prospectus. There is also a list of defined terms in Clause 9 of the Terms of Issue in Appendix A. Defined terms in this Glossary and in Clause 9 of the Terms of Issue are used throughout this Prospectus.

AASB	Australian Accounting Standards Board.
A-IFRS	Australian equivalents to IFRS.
Allocation	the number of BPS allotted to Successful Applicants.
Application	a valid application made on the conditions set out in the Prospectus by using an Application Form to apply for a specified number of BPS.
Application Form	each form attached to or accompanying the electronic or printed version of this Prospectus upon which an offer to subscribe for BPS may be made.
Application Money	money payable on Application, calculated as the number of BPS applied for multiplied by the Paid-up Value.
ASIC	Australian Securities and Investments Commission.
ASTC Settlement Rules	the clearing and settlement rules made by ASX Settlement and Transfer Corporation Pty Limited, as amended from time to time.
Bendigo Bank or the Company	Bendigo Bank Limited (ABN 11 068 049 178).
Bendigo Bank Shareholder, Shareholder, or Ordinary Shareholder	holder of Ordinary Shares.
Bendigo Bank Share Registry	Securities Registry, Bendigo Bank and Computershare Investor Services Pty Ltd (ABN 48 078 279 277).
Board	all or some of the Directors acting as a board.
BPS	perpetual, non-cumulative, redeemable and convertible preference shares issued by Bendigo Bank pursuant to the Terms of Issue set out in Appendix A of this Prospectus.
CGT	capital gains tax.
CHESS	Clearing House Electronic Subregister System.
Closing Date*	the last day on which Application Forms will be accepted.
Customer	a person who is recorded as a banking customer of the Company (with a unique customer number).
Director	a director of Bendigo Bank.
Eligible Customer	a customer of Bendigo Bank with a registered address in Australia as at 7:00pm (Melbourne time) on 14 February 2005.
Eligible Shareholder	a Bendigo Bank Shareholder with a registered address in Australia as at 7:00pm (Melbourne time) on 14 February 2005.
Expiry Date	the date on which this Prospectus expires, which is 16 April 2006.

Exposure Period	the seven day period after the date this Prospectus was lodged with ASIC during which the Corporations Act prohibits the acceptance of Applications. This period may be extended by ASIC by up to a further seven days.
Fitch	Fitch Australia Pty Ltd (ABN 93 081 339 184).
IFRS	International Financial Reporting Standards.
Issue Date	the date on which BPS are issued to successful applicants.
Lead Manager	Macquarie Equity Capital Markets Limited (ABN 60 001 374 572).
Offer	the invitation made pursuant to the Prospectus issued by Bendigo Bank for Eligible Shareholders, Eligible Customers, general public applicants and institutional investors and brokers to subscribe for BPS.
Offer Management Agreement	agreement dated 16 March 2005 between Bendigo Bank and the Lead Manager, subject to and on the terms summarised in Section 8.8.
Opening Date	4 April 2005.
Oversubscription Amount	an amount up to \$25 million in excess of the \$100 million issue amount.
Shareholder Priority Application Form	a personalised Application Form sent to an Eligible Shareholder.
Standard & Poor's	Standard & Poor's (Australia) Pty Ltd (ABN 62 007 324 852).
Successful Applicant	an Applicant whose Application is accepted by Bendigo Bank whether in full or in part.

* Bendigo Bank has the right, subject to agreement with the Lead Manager, to close the Offer early or to extend the Closing Date for the Offer without notice.

Appendix A - terms of issue

References to clauses in this Appendix are to clauses of these Terms of Issue.

1. FACE VALUE AND PAYMENT

1.1 Description

These Terms of Issue set out the terms and conditions of the perpetual, non cumulative, redeemable and convertible preference shares (BPS).

1.2 Face Value

The face value of each BPS will be \$100 (Face Value).

1.3 Payment by instalments

- (a) The Face Value will be paid in two instalments, as follows:
- (i) the first instalment of \$50 per BPS must be paid on issue of the BPS under and in accordance with the prospectus to which these Terms of Issue form an Appendix; and
 - (ii) subject to clause 1.3(b), the second instalment of \$50 per BPS (the **Second Instalment**) must be paid on 15 June 2006.
- (b) The Company may, on one occasion only, defer the payment date for the Second Instalment to 15 September 2006 or 15 December 2006 by serving on Holders a notice (an **Extension Notice**) specifying the new payment date. An Extension Notice must be served by the Company on Holders no later than 15 April 2006.
- (c) The non-receipt of an Extension Notice by a Holder or an accidental omission to send an Extension Notice to a Holder will not invalidate the requirement to pay the Second Instalment on the date specified in the Extension Notice (either in respect of that Holder or generally).
- (d) If a Holder fails to pay the Second Instalment in respect of any BPS by the Instalment Payment Date:
- (i) interest on the Second Instalment in respect of those BPS will accrue from the Instalment Payment Date in accordance with the Constitution (subject to the Directors' discretion to waive the whole or part of any interest in accordance with the Constitution); and
 - (ii) subject to the requirements of the ASX Listing Rules, the Directors will be entitled to exercise their rights under the Constitution to have those BPS forfeited and sold, disposed of or dealt with, and the proceeds of that sale, disposal or dealing distributed, in accordance with the Constitution.
- (e) A Holder whose BPS have been forfeited is, despite the forfeiture, liable to pay and must immediately pay to the Company all sums of money, interest and expenses owing on or in respect of the forfeited BPS at the time of forfeiture, together with expenses and interest from that time at the rate the Directors determine (subject to the Directors' discretion to enforce the payment or waive the whole or part of any sum paid or payable in accordance with the Constitution).

2. DIVIDENDS

2.1 Dividends

- (a) Subject to these Terms of Issue, the Holder on the relevant Record Date of each BPS is entitled to receive on each relevant Dividend Payment Date a dividend (**Dividend**) calculated in accordance with the following formula:

$$\text{Dividend} = \frac{(\text{Dividend Rate}) \times \text{Paid-up Value} \times N}{365}$$

where:

N is the number of days from (and including) the Issue Date or the preceding Dividend Payment Date (whichever is the later) until (but not including) the relevant Dividend Payment Date;

Paid-up Value is the amount credited as paid-up in respect of each BPS on the relevant Dividend Payment Date (to a maximum value of the Face Value);

Dividend Rate is the amount (expressed as a percentage per annum) calculated in accordance with the following formula:

$$(\text{Market Rate} + \text{Margin}) \times (1-T)$$

where:

Market Rate expressed as a percentage per annum:

- (a) for the first Dividend Period – is the Bank Bill Swap Rate for 90 day bills on the Issue Date; and
- (b) for each subsequent Dividend Period – is the Bank Bill Swap Rate for 90 day bills on the first Business Day of that Dividend Period;

Margin expressed as a percentage per annum:

- (a) for the period to the first Reset Date – is an amount notified by the Company to ASX on or before the Issue Date, which amount will be not less than 1.25% (the **Initial Margin**); and
- (b) for the period between succeeding Reset Dates – is the amount determined in accordance with clause 4; and

T has the same meaning as in clause 2.1(b).

- (b) If on a Dividend Payment Date, the Australian corporate tax rate applicable to the franking account of the Company from which the Dividend will be franked differs from the Australian corporate tax rate applicable at:
- (i) the Issue Date – where the Dividend Payment Date is:
 - (A) prior to the first Reset Date; or
 - (B) after the first Reset Date but the only terms of the BPS that have been varied are:
 - (1) the next Reset Date; and
 - (2) the Margin (in accordance with clause 4.3(b)(i) or clause 4.4(c)(ii)); or

- (ii) the immediately preceding Reset Date – in all other circumstances, the Dividend will be adjusted in accordance with the following formula:

$$\text{Dividend} \times \frac{(1 - T_i)}{(1 - T)}$$

where:

Dividend is the amount calculated under clause 2.1(a);

T_i is the Australian corporate tax rate applicable to the franking account of the Company from which the Dividend will be franked, expressed as a decimal; and

T means the Australian corporate tax rate applicable at:

- (a) the Issue Date – where the Dividend Payment Date is:
- (i) prior to the first Reset Date; or
 - (ii) after the first Reset Date but the only terms of the BPS that have been varied are:
 - (A) the next Reset Date; and
 - (B) the Margin (in accordance with clause 4.3(b)(i) or clause 4.4(c)(ii)); or
- (b) the immediately preceding Reset Date – in all other circumstances,
- expressed as a decimal, and which for the period to the first Reset Date will be taken to be 0.30.

- (c) If any Dividend is not franked to 100% under Part 3-6 of the Tax Act (or any provisions that revise or replace that Part), the Dividend will be adjusted in accordance with the following formula:

$$\frac{D}{1 - [T_i \times (1 - f)]}$$

where:

D is the Dividend calculated under clause 2.1(a) and if relevant clause 2.1(b);

T_i has the same meaning as in clause 2.1(b); and

f is the applicable Franking Rate.

2.2 Payment of Dividend

The payment of a Dividend is subject to:

- (a) the Directors, at their discretion, declaring the Dividend to be payable;
- (b) the Company having profits available for the payment of a Dividend (as the case may be);
- (c) such payment not resulting in the Total Capital Ratio or the Tier 1 Capital Ratio of the Company (on a Level 1 basis) or of the Group (on a Level 2 basis) not complying with APRA's then current capital adequacy guidelines as they are applied to the Company or the Group (as the case may be) at the time, unless APRA otherwise gives its prior approval;

- (d) unless otherwise approved by APRA, the amount of payments on Tier 1 Securities not exceeding the Distributable Profits on the relevant Dividend Payment Date;
- (e) APRA not otherwise objecting to the payment of the Dividend.

No Dividends will accrue to Holders unless and until the foregoing requirements of this clause 2.2 are fulfilled.

Dividends will be paid by such means as the Directors may authorise (which may include, without limitation, payment by cheque, direct credit or such other means as the Directors consider appropriate).

2.3 Non-Cumulative Dividends

Dividends are non-cumulative. If and to the extent that all or any part of a Dividend is not paid because of the provisions of clause 2.2 or because of any applicable law, the Company has no liability to pay such Dividend and, notwithstanding the Directors' absolute discretion (subject to APRA's prior approval) to pay an Optional Dividend under clause 2.8, the Holder has no claim in respect of such non-payment. No interest accrues on any unpaid Dividends or Optional Dividends, and the Holder has no claim or entitlement in respect of interest on any unpaid Dividends or Optional Dividends.

2.4 Calculation of Dividends

For the purposes of making any Dividend payment in respect of a Holder's aggregate holding of BPS, any fraction of a cent will be disregarded.

2.5 Dividend Payment Dates

Subject to this clause 2, Dividends will be payable on BPS in arrears on:

- (a) 15 September 2005 and thereafter on each 15 December, 15 March, 15 June and 15 September until the BPS are converted, redeemed, bought-back or cancelled or, in the case of a reset of the terms of the BPS pursuant to clause 4, in accordance with such change; and
- (b) the Exchange Date.

2.6 Record Dates

A Dividend is only payable to those persons registered as Holders on the Record Date for that Dividend. An Optional Dividend is only payable to those persons registered as Holders on the Record Date in respect of the Optional Dividend.

2.7 Deductions

The Company may deduct from any Dividend payable to a Holder the amount of any withholding or other tax, duty or levy required by law to be deducted in respect of such amount. If any such deduction has been made and the amount of the deduction accounted for by the Company to the relevant revenue authority and the balance of the amount payable has been paid to the Holder concerned, then the full amount payable to such Holder will be deemed to have been duly paid and satisfied by the

Company. The Company will pay the full amount required to be deducted to the relevant revenue authority within the time allowed for such payment without incurring penalty under the applicable law and will, if required by any Holder, deliver to that Holder the relevant receipt issued by the revenue authority without delay after it is received by the Company.

2.8 Restrictions in case of non-payment

If, for any reason, a Dividend has not been declared or a Dividend that has been declared has not been paid in full within 20 Business Days after the relevant Dividend Payment Date, the Company must not without approval of a Special Resolution passed at a separate meeting of Holders:

- (a) declare or pay a dividend or make any distribution on any share capital of the Company over which BPS rank in priority for participation in profits;
- (b) declare or pay a dividend or make any distribution on BPS or on any share capital of the Company which ranks by legal or stated terms equal with BPS for participation in profits (other than to permit the declaration and payment of Optional Dividends and optional dividends under clause 2.8(e)); or
- (c) redeem, reduce, cancel or acquire for any consideration any share capital of the Company (other than BPS or share capital ranking equally or in priority to BPS),

unless:

- (d) in the case of clause 2.8(a):
 - (i) 4 consecutive Dividends stated to be payable on BPS thereafter have been paid in full (or an equivalent amount of Dividends if the frequency of payment is other than quarterly); or
 - (ii) an optional dividend (**Optional Dividend**) has been paid to the Holders equal to the unpaid amount (if any) of the 4 immediately preceding Dividends prior to the date of payment of the Optional Dividend (or an equivalent amount of Dividends if the frequency of payment is other than quarterly), with the payment of any Optional Dividend being subject to APRA's prior approval; or
- (e) in the case of clause 2.8(b), an Optional Dividend has been paid to the Holders equal to the unpaid amount (if any) of the 4 immediately preceding Dividends prior to the date of payment of the Optional Dividend (or an equivalent amount of Dividends if the frequency of payment is other than quarterly) and an optional dividend has been paid to the holders of share capital of the Company which ranks equally to BPS equal to the unpaid amount (if any) of the 4 immediately preceding dividends prior to the date of payment of the Optional Dividend (or an equivalent amount of dividends if the frequency of payment is other than quarterly), with the payment of any Optional Dividend being subject to APRA's prior approval; or
- (f) all BPS have been converted, redeemed, bought back or cancelled.

2.9 Optional Dividends

Payment of an Optional Dividend is subject to APRA's prior approval and the restrictions set out in clause 2.2.

Optional Dividends will be paid by such means as the Directors may authorise (which may include, without limitation, payment by cheque, direct credit or such other means as the Directors consider appropriate).

3. EXCHANGE

3.1 Exchange by the Company

- (a) The Company may serve on Holders:
 - (i) a Company Exchange Notice at least 30 Business Days (but no more than 6 months) before a Fixed Exchange Date in respect of all or some of their BPS;
 - (ii) a Company (Event) Exchange Notice following the occurrence of a Tax Event, Accounting Event or Regulatory Event in respect of all (but not some only) of their BPS; or
 - (iii) a Company (Event) Exchange Notice no later than 35 Business Days after:
 - (A) a takeover bid is made to acquire all or some of the Ordinary Shares and the offer is, or becomes, unconditional and:
 - (1) the bidder has a relevant interest in more than 50% of the Ordinary Shares on issue; or
 - (2) the Directors issue a statement recommending acceptance of the offer; or
 - (B) a court approves an arrangement under Part 5.1 of the Corporations Act which, when implemented, will result in a person other than the Company having a relevant interest in more than 50% of the Ordinary Shares on issue;in respect of all (but not some only) of their BPS.
- (b) If the Company serves an Exchange Notice on Holders, the Company must include in that notice which, or which combination, of the following it intends to do in respect of the BPS the subject of the Exchange Notice:
 - (i) convert BPS into Ordinary Shares in accordance with clauses 3.3 and 3.4; or
 - (ii) redeem, buy back or cancel BPS for their Paid-up Value on the relevant Exchange Date and send the proceeds to the Holder as soon as practicable after the relevant Exchange Date (only if APRA has given its prior approval to such mechanism being applied).

- (c) The Company cannot serve a Company Exchange Notice and elect to Exchange only some BPS if, as at the date of the Company Exchange Notice, that Exchange would result in there being un-Exchanged BPS with an aggregate Face Value of less than \$20 million. In a partial Exchange, or if the Company elects to implement a combination of the mechanisms referred to in clause 3.1(b), the Company must endeavour to treat Holders on an approximately proportionate basis, but may discriminate to take account of the effect on marketable parcels and other logistical considerations.
- (d) If the Company serves an Exchange Notice in accordance with clause 3.1(a), the Exchange Date is:
- (i) for a Company Exchange Notice, the Fixed Exchange Date; or
 - (ii) for a Company (Event) Exchange Notice, the last Business Day of the month following the month in which the Company (Event) Exchange Notice was served by the Company unless the Company determines an earlier Exchange Date as notified in the Exchange Notice having regard to the best interests of the Holders (collectively) and the relevant event.
- (e) If required by the Company, where the Company is entitled to convert, redeem, buy-back or cancel any BPS under these Terms of Issue, the Holder must:
- (i) vote in favour (subject to compliance with the law and to the extent that the Holder is entitled to do so) or otherwise abstain from any required resolution;
 - (ii) provide all documentation and execute any authorisation or power necessary; and
 - (iii) take all other action necessary or desirable, to effect the conversion, redemption, buy-back or cancellation of those BPS.

3.2 Exchange Notices are irrevocable

An Exchange Notice is irrevocable.

3.3 Meaning of conversion

Each BPS, on any conversion, confers all of the rights attaching to one fully paid Ordinary Share but these rights do not take effect until 5.00pm on the Exchange Date. At that time:

- (a) all other rights and restrictions conferred on BPS under these Terms of Issue will no longer have any effect (except for any rights relating to a Dividend payable on or before the Exchange Date and any rights to the issue of additional Ordinary Shares under clause 3.4, which will subsist); and
- (b) each BPS will rank equally with all other fully paid Ordinary Shares then on issue and the Company will issue a statement that the Holder of those shares holds a share so ranking.

The taking effect of the rights of a BPS under this clause 3.3 and any issue of additional Ordinary Shares under clause 3.4 is, for the purposes of these Terms of Issue, together termed **conversion**. Conversion does not constitute cancellation, redemption or termination of a BPS or an issue, allotment or creation of a new share (other than any additional Ordinary Shares issued under clause 3.4).

3.4 Conversion and additional Ordinary Shares

- (a) If the Company issues an Exchange Notice and chooses the mechanism of Exchange described in clause 3.1(b)(i), upon conversion each BPS the subject of an Exchange Notice will:

- (i) convert on the Exchange Date into one fully paid Ordinary Share; and
- (ii) entitle the Holder to be issued on the Exchange Date an additional number of fully paid Ordinary Shares equal to one less than the Conversion Ratio, where, subject to clause 3.4(b), the **Conversion Ratio** is an amount (including any fractions) calculated in accordance with the following formula:

$$\frac{PV}{V \times (1 - CD)}$$

where:

PV means the Paid-up Value of each BPS;

V means, subject to clause 3.5, the VWAP during the Reference Period; and

CD means the Conversion Discount, which until the first Reset Date will be 2.5%.

- (b) Where the total number of Ordinary Shares to be issued on conversion to a Holder includes a fraction, that fraction will be disregarded.

3.5 Adjustments to VWAP

For the purposes of calculating VWAP in clause 3.4:

- (a) where, on some or all of the Business Days in the Reference Period, Ordinary Shares have been quoted on ASX as cum dividend or cum any other distribution or entitlement and BPS will convert into Ordinary Shares after the date those Ordinary Shares no longer carry that entitlement (**Ex Date**), then the VWAP on the Business Days on which those shares have been quoted cum dividend or cum entitlement will be reduced by an amount (**Cum Value**) equal to:
- (i) in the case of a dividend or other distribution – the amount of that dividend or distribution including, if the dividend or distribution is franked, the amount that would be included in the assessable income of a recipient of the dividend or distribution who is a natural person resident in Australia under the Tax Act;

- (ii) in the case of an entitlement that is not a dividend or other distribution under clause 3.5(a)(i) and which is traded on ASX on any of those Business Days – the volume weighted average price of all such entitlements sold on ASX during the Reference Period on the Business Days on which those entitlements were traded; or
 - (iii) in the case of an entitlement that is not a dividend or other distribution under clause 3.5(a)(i) and which is not traded on ASX during the Reference Period – the value of the entitlement as reasonably determined by the Directors;
- (b) where, on some or all of the Business Days in the Reference Period, Ordinary Shares have been quoted ex dividend, ex distribution or ex entitlement, and BPS will convert into Ordinary Shares which would be entitled to receive the relevant dividend, distribution or entitlement, the VWAP on the Business Days on which those Ordinary Shares have been quoted ex dividend, ex distribution or ex entitlement will be increased by the Cum Value; and
- (c) where the Ordinary Shares are reconstructed, consolidated, divided or reclassified into a lesser or greater number of securities during a Reference Period, the VWAP will be adjusted by the Directors as they consider appropriate. Any adjustment made by the Directors will constitute an alteration to these Terms of Issue and will be binding on all Holders and these Terms of Issue will be construed accordingly. Any such adjustment will promptly be notified to all Holders.

3.6 Redemption, Buy-Back or Cancellation

If the Company serves an Exchange Notice on Holders in which it notifies Holders that it will redeem, buy-back or cancel BPS, the Company must redeem, buy-back or cancel BPS on the relevant Exchange Date for their Paid-up Value and send the proceeds to the Holder as soon as practicable after the relevant Exchange Date.

4. RESET OF TERMS

4.1 The Company may vary terms

Subject to clauses 4.2 and 4.4, the Company may, prior to any Reset Date, make changes to any or all the following terms:

- (a) the next Reset Date (which must be at least 12 months after the immediately preceding Reset Date);
- (b) the Conversion Discount;
- (c) the Market Rate;
- (d) the Margin; and
- (e) the frequency and timing of the Dividend Payment Dates.

These new terms will apply from the day after the relevant Reset Date until and including the next Reset Date. Any change made by the Company under this clause 4.1 must be notified pursuant to a notice served in accordance with clause 4.3 (a **Reset Notice**).

4.2 Restrictions on variation of terms

Unless otherwise agreed by APRA, any variation in the terms on a Reset Date (other than a variation in accordance with clause 4.3(b)) is subject to the following restrictions:

- (a) the Margin may not be increased above the Initial Margin during the first 10 years;
- (b) the Margin may be decreased without limitation on any Reset Date;
- (c) the Margin may be varied provided that it does not exceed the amount (the **Maximum Margin**) that is the lesser of:
 - (i) the Margin that applied on the day immediately preceding that Reset Date plus 1.00%;
 - (ii) Initial Margin plus 1.00%; and
 - (iii) the amount calculated in accordance with the following formula:

$$\text{Initial Margin} \times \frac{(\text{FR} - \text{FRG})}{(\text{FI} - \text{FIG})}$$

where:

FR is the fair market value yield curve on Bloomberg Page FMCS for BBB rated 10 year AUD securities (or any page which replaces that page) on the date that is 60 Business Days before the relevant Reset Date;

FRG is the fair market value yield curve on Bloomberg Page FMCS for Australian government 10 year AUD securities (or any page which replaces that page) on the date that is 60 Business Days before the relevant Reset Date;

FI is the fair market value yield curve on Bloomberg Page FMCS for BBB rated 10 year AUD securities (or any page which replaces that page) on the Issue Date; and

FIG is the fair market value yield curve on Bloomberg Page FMCS for Australian government 10 year AUD securities (or any page which replaces that page) on the Issue Date.

If either:

- (A) the FMCS page on Bloomberg is not in existence on a relevant date or insufficient securities are available to determine a representative fair market value curve spread for 10 year AUD securities (being less than 5 securities); or
- (B) the period between the relevant Reset Date and the next Reset Date will be other than 10 years,

the Company is required to determine an alternative reference index, which is subject to APRA's prior approval;

- (d) the Company may not change the Margin on a Reset Date if the credit rating of the Company as determined by a majority of rating agencies (or if only one rating agency has rated the Company, that rating agency) (as agreed with APRA or any other similar credit test approved by APRA) has declined:
- (i) where the first Reset Date has not yet occurred – since the Issue Date; or
 - (ii) where the first Reset Date has occurred – since the immediately preceding Reset Date; and
- (e) the Company may not change the underlying basis index on which the Market Rate is determined.

For the avoidance of doubt, APRA may waive any or all of the restrictions in this clause 4.2, in which event the Company may vary the terms as contemplated under clause 4.1.

4.3 Notification

- (a) For a change made under clause 4.1 to be effective, the Reset Notice must be served on Holders at least 50 Business Days before the relevant Reset Date (the **Reset Notice Date**). The non-receipt of a Reset Notice by a Holder or an accidental omission to send a Reset Notice to a Holder will not invalidate any variation under clause 4.1 either in respect of that Holder or generally.
- (b) If the Company does not serve a Reset Notice or serves a Reset Notice that does not seek to reset the Margin:
- (i) before the first Reset Date:
 - (A) the Margin will be automatically reset on the first Reset Date at an amount that is equal to the Initial Margin plus 1.00% per annum;
 - (B) there will be no further Reset Dates; and
 - (C) all other terms applying as at the first Reset Date will continue to apply; and
 - (ii) before any subsequent Reset Date:
 - (A) the Margin will be automatically reset on that Reset Date to an amount that is equal to the lesser of:
 - (1) the Initial Margin plus 1.00% per annum; and
 - (2) the Margin that applied on the day immediately preceding that Reset Date plus 1.00% per annum;
 - (B) there will be no further Reset Dates; and
 - (C) all other terms applying as at that Reset Date will continue to apply.
- (b) If a Holder does not serve a Reset Rejection Notice within the time period specified in clause 4.4(a), the Holder will be bound by the reset terms from the relevant Reset Date (unless the Company elects to implement clause 4.4(c)(ii)).
- (c) Upon receipt of a Reset Rejection Notice in accordance with clause 4.4(a), the Company may, at its option, do one of the following:
- (i) in relation to the BPS of the Holder that has served the Reset Rejection Notice or in relation to all or some BPS on issue (including those of the Holder that has served the Reset Rejection Notice), convert the BPS into Ordinary Shares in accordance with clauses 3.3 and 3.4. In that case the Exchange Date will be the relevant Reset Date and the terms as varied in the Reset Notice will apply to the BPS remaining on issue after the Exchange Date; or
 - (ii) in relation to all BPS on issue:
 - (A) where the relevant Reset Notice was served before the first Reset Date – reset the terms in accordance with clause 4.3(b)(i); and
 - (B) where the relevant Reset Notice was served before any subsequent Reset Date – reset the terms in accordance with clause 4.3(b)(ii).
- The Company must advise Holders of its decision under this clause 4.4(c) by sending a notice to all Holders at least 30 Business Days before the relevant Reset Date. If the Company fails to send a notice under this clause 4.4(c) within the time period specified, the Company will be deemed to have elected to implement the mechanism referred to in clause 4.4(c)(ii).
- (d) The Company cannot elect the mechanism referred to in clause 4.4(c)(i) if, at the date of the notice served by the Company under clause 4.4(c), that would result in there being unconverted BPS with an aggregate Face Value of less than \$20 million.

5. BPS GENERAL RIGHTS

5.1 Ranking

BPS rank equally amongst themselves in all respects and are subordinated to all depositors and creditors of the Company. BPS are not deposits or liabilities of the Company and are not subject to the depositor protection provisions of Australian banking legislation. The issue of any other preference shares by the Company which rank in priority to BPS in respect of dividends or return of capital on a winding-up constitutes an alteration of the rights attached to BPS.

The Company reserves the right to issue further BPS, preference shares (whether redeemable or not) or other securities which rank equally with or behind existing BPS, whether in respect of dividends (whether cumulative or not), return of capital on a winding up or otherwise. Such an issue does not constitute a variation or cancellation of the rights attached to the then existing BPS.

4.4 Holder Reset Acceptance

- (a) Upon receipt of a Reset Notice under clause 4.3, a Holder may serve a notice on the Company rejecting the reset terms specified in the Reset Notice (**Reset Rejection Notice**) not later than 35 Business Days before the relevant Reset Date.

5.2 Preferential dividend

Until conversion, BPS rank in priority to Ordinary Shares for the payment of dividends.

5.3 No set off

Any amount due to a Holder in respect of BPS may not be set off against any claims by the Company on the Holder.

5.4 Return of capital

Until conversion, if there is a return of capital on a winding-up of the Company, Holders will be entitled to receive out of the assets of the Company available for distribution to holders of shares, in respect of each BPS held, a cash payment (**Liquidation Sum**) equal to the sum of:

- (a) the amount of any Dividend declared but unpaid; and
- (b) the Paid-up Value,

before any return of capital is made to holders of Ordinary Shares or any other class of shares ranking behind BPS.

BPS do not confer on their Holders any right to participate in profits or property except as set out in these Terms of Issue.

5.5 Shortfall on winding up

If, upon a return of capital on a winding up of the Company, there are insufficient funds to pay in full the amounts referred to in clause 5.4 and the amounts payable in respect of any other shares in the Company ranking as to such distribution equally with BPS on a winding-up of the Company, Holders and the holders of any such other shares will share in any distribution of assets of the Company in proportion to the amounts to which they respectively are entitled.

5.6 No participation in surplus assets

BPS do not confer on their Holders any further right to participate in the surplus assets of the Company on a winding-up beyond payment of the Liquidation Sum.

5.7 Takeovers and schemes of arrangement

Without limiting the rights of the Directors under clause 3.1(a)(iii), if a takeover bid is made for Ordinary Shares, acceptance of which is recommended by the Directors, or the Directors recommend an arrangement under Part 5.1 of the Corporations Act in respect of the Ordinary Shares which will result in a person other than the Company having a relevant interest in more than 50% of the Ordinary Shares, the Directors will use reasonable endeavours to procure that equivalent takeover offers are made to Holders or that they are entitled to participate in the arrangement under Part 5.1 of the Corporations Act or a similar transaction.

5.8 Participation in new issues

Until BPS are converted they will confer no rights to subscribe for new securities in the Company or to participate in any bonus issues.

6. VOTING RIGHTS

6.1 Notice and attendance

Holders have the same rights as holders of Ordinary Shares to receive notices, reports and accounts and to attend and be heard at general meetings of the Company.

6.2 Voting and speaking

Holders will not be entitled to speak or vote at general meetings of the Company except as follows:

- (a) on any question considered at a general meeting if, at the date of the meeting, a Dividend or part of a Dividend has been declared but has not been paid by the relevant Dividend Payment Date and remains unpaid;
- (b) at a general meeting on a proposal:
 - (i) to reduce the share capital of the Company;
 - (ii) that affects rights attached to BPS;
 - (iii) to wind up the Company; or
 - (iv) for the disposal of the whole of the property, business and undertaking of the Company;
- (c) at a general meeting on a resolution to approve the terms of a buy-back agreement;
- (d) on any question considered at a general meeting held during the winding up of the Company; or
- (e) in any other circumstances in which the ASX Listing Rules or the Corporations Act require the Holders to be entitled to vote.

In each case, Holders will have the same right to vote as a holder of Ordinary Shares (as if immediately prior to the meeting the BPS had converted into the number of Ordinary Shares provided for in clauses 3.3 and 3.4 as if the record date is the deadline for receipt of instruments of proxy under the Constitution and the Corporations Act for the relevant meeting and the Reference Period is the period ending on that date).

7. LISTING

The Company must use all reasonable endeavours and furnish all such documents, information and undertakings as may be reasonably necessary in order to procure, at its own expense, quotation of BPS on ASX and of all converted BPS and additional Ordinary Shares issued under clause 3.4 on each of the stock exchanges on which the other Ordinary Shares are listed on the date of conversion.

8. AMENDMENTS TO THE TERMS OF ISSUE

Subject to complying with all applicable laws and with APRA's prior approval, the Company may without the authority, assent or approval of Holders amend or add to these Terms of Issue if such amendment or addition is, in the opinion of the Company:

- (a) of a formal, minor or technical nature;
- (b) made to correct a manifest error;

- (c) made to comply with any law, ASX Listing Rule or the listing or quotation requirements of any stock exchange on which the Company proposes from time to time to seek quotation of BPS;
- (d) convenient for the purpose of obtaining or maintaining the quotation of BPS; or
- (e) not likely (taken as a whole and in conjunction with all other modifications, if any, to be made contemporaneously with that modification) to be materially prejudicial to the interests of the Holders.

9. INTERPRETATION

9.1 Interpretation

- (a) Unless the context otherwise requires, if there is any inconsistency between the provisions of these Terms of Issue and the Constitution, then, to the maximum extent permitted by law, the provisions of these Terms of Issue will prevail.
- (b) Unless otherwise specified, the Directors may exercise all powers of the Company under these Terms of Issue as are not, by the Corporations Act or by the Constitution, required to be exercised by the Company in general meeting.
- (c) Notices may be given by the Company to a Holder in the manner prescribed by the Constitution for the giving of notices to members of the Company and the relevant provisions of the Constitution apply with all necessary modification to notices to Holders, provided that nothing in this clause 9.1(c) will prejudice the ability of the Company to notify Holders in any other manner expressly authorised by the Terms of Issue.
- (d) Unless otherwise specified, a reference to a clause is a reference to a clause of these Terms of Issue.
- (e) If a calculation is required under these Terms of Issue, unless the contrary intention is expressed, the calculation will be rounded to four decimal places.
- (f) Definitions and interpretation under the Constitution will also apply to these Terms of Issue subject to clause 9.1(a).
- (g) Any provisions which refer to the requirements of APRA or any other prudential regulatory requirements will apply to the Company only if the Company is an entity or the holding company of an entity subject to regulation and supervision by APRA at the relevant time.
- (h) The terms **takeover bid**, **relevant interest** and **arrangement** when used in these Terms of Issue have the meaning given in the Corporations Act.
- (i) A reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them.
- (j) A reference to time in these Terms of Issue is a reference to time in Melbourne, Victoria, Australia.

- (k) If an event under these Terms of Issue must occur on a stipulated day which is not a Business Day, then the stipulated day will be taken to be the next Business Day.
- (l) Any provisions in these Terms of Issue requiring the prior approval of APRA for a particular course of action to be taken by the Company does not imply that APRA has given its consent or approval to the particular action as of the Issue Date.
- (m) A reference to **\$** or **AUD** in these Terms of Issue is a reference to Australian dollars.

9.2 Definitions

The following words and expressions will have the following meanings:

Accounting Event means the receipt by the Company of advice from a reputable accounting professional that, as a result of any amendment to, clarification of, or change (including any announcement of a prospective change) in any accounting standard or regulation after the date on which BPS are issued, BPS will no longer be classified as equity in the accounts of the Company.

APRA means the Australian Prudential Regulation Authority or any authority succeeding to its powers and functions.

ASX means Australian Stock Exchange Limited (ABN 98 008 624 691).

ASX Listing Rules means the listing rules of ASX from time to time, with any modification or waivers in their application to the Company which ASX may grant.

ASX Market Rules means the operating rules of ASX from time to time, with any modification or waivers in their application to the Company which ASX may grant.

Bank Bill Swap Rate means for each Dividend Period, the rate, expressed as a percentage per annum, calculated as the average mid rate for bills of a term of 90 days which average rate is displayed on the Reuters page designated BBSW (or any page which replaces that page) on the first Business Day of the Dividend Period, or if there is a manifest error in the calculation of that average rate or that average rate is not displayed by 10.30am on that date, the rate specified in good faith by the Company at or around that time on that date having regard, to the extent possible, to:

- (a) the rate otherwise bid and offered for bills of that term or for funds of that tenor displayed on that page BBSW (or any page which replaces that page) at that time on that date; and
- (b) if bid and offer rates for bills of that term are not otherwise available, the rates otherwise bid and offered for funds of that tenor at or around that time.

BPS means the perpetual, non-cumulative, redeemable and convertible preference shares issued under article 3 of the Constitution on the terms set out in these Terms of Issue or, where the context requires, each perpetual, non-cumulative, redeemable and convertible preference share.

Business Day means a day on which the banks are open for trading in Melbourne.

Company means Bendigo Bank Limited (ABN 11 068 049 178).

Company (Event) Exchange Notice means a notice given by the Company to a Holder under clauses 3.1(a)(ii) or 3.1(a)(iii).

Company Exchange Notice means a notice given by the Company to a Holder under clause 3.1(a)(i).

Constitution means the constitution of the Company as amended from time to time.

conversion has the meaning given in clause 3.3.

Conversion Discount has the meaning given in clause 3.4.

Conversion Ratio has the meaning given in clause 3.4.

Corporations Act means the *Corporations Act 2001* (Cth).

Cum Value has the meaning given in clause 3.5.

Director means a director of the Company.

Distributable Profits means the profits after tax of the Group (on a consolidated basis) for the immediately preceding Reporting Year (as disclosed in the latest publicly available financial results for the Group (on a consolidated basis)) less the aggregate amount of dividends paid, or liable to be paid by any member of the Group (other than intra Group payments) on Tier 1 Securities, in the 12 month period up to and including the payment date for the Dividend.

Dividend has the meaning given in clause 2.1.

Dividend Payment Date means each date on which a Dividend is payable in accordance with clause 2.5, including as varied under clause 4, whether or not a Dividend is paid on that date.

Dividend Period means:

- (a) the period from (and including) the Issue Date to (but excluding) the first Dividend Payment Date; and
- (b) each subsequent period from (and including) a Dividend Payment Date to (but excluding) the next Dividend Payment Date.

Dividend Rate has the meaning given in clause 2.1.

Exchange means the issuing by the Company of an Exchange Notice to the Holder under clause 3.1(a), conversion of BPS into Ordinary Shares in accordance with clauses 3.3. and 3.4, or the redemption, buy back or cancellation of BPS for their Paid-up Value, as determined by the Company in accordance with clauses 3.1(b) or 4.4(c).

Exchange Date in the case of:

- (a) a notice served on a Holder by the Company under clause 3.1 – has the meaning given in clause 3.1(d); or
- (b) a determination by the Company under clause 4.4(c)(i) – has the meaning given in clause 4.4(c)(i).

Exchange Notice means a notice served on a Holder by the Company under clause 3.1(a).

Ex Date has the meaning given in clause 3.5.

Extension Notice has the meaning given in clause 1.3(b).

Face Value has the meaning given in clause 1.2.

Fixed Exchange Date means the first Reset Date and any subsequent Dividend Payment Date as notified in the Exchange Notice.

Franking Rate, in relation to a Dividend, means the franking percentage (within the meaning of Part 3-6 of the Tax Act or any part that replaces or revises that part) of the Dividend, expressed as a decimal to four decimal places.

Group means the Company and its controlled entities.

Holder means a person whose name is for the time being registered in the Register as the holder of a BPS.

Initial Margin has the meaning given in clause 2.1(a).

Instalment Payment Date means the date by which the Second Instalment in respect of the BPS is payable, being:

- (a) if the Company does not serve an Extension Notice in accordance with clause 1.3(b) – 15 June 2006; or
- (b) if the Company does serve an Extension Notice in accordance with clause 1.3(b) – the date specified in that Extension Notice.

Issue Date means the date on which BPS are issued, which is expected to be on or about 6 May 2005.

Liquidation Sum has the meaning given in clause 5.4.

Margin has the meaning given in clause 2.1(a).

Market Rate has the meaning given in clause 2.1 (a), as varied under clause 4.

Maximum Margin has the meaning given in clause 4.2(c).

Optional Dividend has the meaning given in clause 2.8(d).

Ordinary Share means an ordinary share in the capital of the Company.

Paid-up Value has the meaning given in clause 2.1(a).

Record Date means, for a payment of:

- (a) a Dividend, the date which is 15 Business Days before the Dividend Payment Date for that Dividend, or such other date as may be required by ASX from time to time; and
- (b) an Optional Dividend, the date prior to its payment that is determined by the Company, or such other date as may be required by ASX from time to time.

Reference Period means the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Exchange Date.

Register means the register of the Company BPS maintained by the Company and includes any sub-register established and maintained under CHESS (as defined in ASX Listing Rules).

Regulatory Event means:

- (a) the receipt by the Company from a reputable legal counsel that, as a result of any amendment to, clarification of, or change (including any announcement of a prospective change) in, any law or regulation affecting securities laws of Australia or any official administrative pronouncement or action or judicial decision interpreting or applying such laws or regulations which amendment, clarification or change is effective or pronouncement, action or decision is announced on or after the Issue Date, additional requirements would be imposed on the Company which the Directors determine at their sole discretion, to be unacceptable; or
- (b) the determination by the Directors that the Company is not or will not be entitled to treat all BPS as eligible Tier 1 Capital.

Reporting Year means each 12 month period ending 30 June or 31 December, or such other period as approved by APRA in circumstances where Bendigo Bank has changed its reporting period for its financial results.

Reset Date is 15 June 2015 for the first Reset Date and thereafter the date as determined in accordance with clauses 4.3 and 4.4.

Reset Notice has the meaning given in clause 4.1.

Reset Notice Date has the meaning given in clause 4.3(a).

Reset Rejection Notice has the meaning given in clause 4.4(a).

Second Instalment has the meaning given in clause 1.3(a).

Special Resolution means a resolution passed at a meeting of Holders by at least 75% of the votes validly cast by Holders in person or by proxy and entitled to vote on the resolution.

Tax Act means:

- (a) the *Income Tax Assessment Act 1936* (Cth) or the *Income Tax Assessment Act 1997* (Cth) as the case may be, as amended, and a reference to any section of the *Income Tax Assessment Act 1936* (Cth) includes a reference to that section as rewritten in the *Income Tax Assessment Act 1997* (Cth); and
- (b) any other Act setting the rate of income tax payable and any regulation promulgated thereunder.

Tax Event means the receipt by the Company of an opinion from a reputable legal counsel or tax adviser in Australia, experienced in such matters to the effect that, as a result of:

- (a) any amendment to, clarification of, or change (including any announced prospective change), in the laws or treaties or any regulations of Australia or any political subdivision or taxing authority of Australia affecting taxation;

- (b) any judicial decision, official administrative pronouncement, public ruling or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to adopt such procedures or regulations) (Administrative Action); or
- (c) any amendment to, clarification of, or change in, the pronouncement that provides for a position with respect to an Administrative Action that differs from the current generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification, change or Administrative Action is made known,

which amendment, clarification, change or Administrative Action is issued or effective or such pronouncement or decision is issued or announced on or after the Issue Date:

- (d) there is more than an insubstantial risk that the Company would be exposed to more than a de minimis increase in its costs in relation to BPS as a result of increased taxes, duties or other governmental charges or civil liabilities; or
- (e) there is more than an insubstantial risk that BPS will not be treated as equity interests for taxation purposes or imputation benefits will be denied to Holders or franking debits will be posted to the Company's franking account.

Terms of Issue means these terms for BPS.

Tier 1 Capital means the core capital of the Group as defined by APRA.

Tier 1 Capital Ratio means at any time the ratio so prescribed by APRA.

Tier 1 Securities means the BPS, the Ordinary Shares and any other security issued by the Company which constitutes Tier 1 Capital.

Total Capital Ratio means at any time the ratio so prescribed by APRA.

VWAP means, subject to any adjustments under clause 3.5, the average of the daily volume weighted average sale price (rounded to the nearest full cent) of Ordinary Shares sold on ASX during the relevant period or on the relevant days but does not include any transaction defined in the ASX Market Rules as 'special', crossings prior to the commencement of normal trading, crossings during the closing phase and the after hours adjust phase nor any overseas trades or trades pursuant to the exercise of options over Ordinary Shares or any overnight crossings.

10. GOVERNING LAW

These Terms of Issue are governed by laws in force in the State of Victoria and the Company and each Holder submits to the non-exclusive jurisdiction of the courts of Victoria.

CORPORATE DIRECTORY

REGISTERED AND HEAD OFFICE

Bendigo Bank Limited
Second Floor
Fountain Court
Bendigo VIC 3550

LEAD MANAGER

Macquarie Equity Capital Markets Limited
Level 23
101 Collins Street
Melbourne VIC 3000

LEGAL ADVISERS TO BENDIGO BANK

Allens Arthur Robinson
Level 27
530 Collins Street
Melbourne VIC 3000

AUDITORS AND TAX ADVISORS TO BENDIGO BANK

Ernst and Young
120 Collins Street
Melbourne VIC 3000



Bendigo Bank

Bendigo Bank Limited ABN 11 068 049 178

Broker Code

Adviser Code

Application Form

This Application Form is for BPS offered under the Prospectus dated 16 March 2005. The Prospectus expires on 16 April 2006. If you are in doubt as to how to deal with it, please contact your stockbroker, accountant or other professional adviser without delay. The Prospectus contains information relevant to a decision to invest in BPS and you should read the entire Prospectus carefully before applying for BPS. To meet the requirements of the Corporations Act 2001, this Application Form must not be distributed unless included in, or accompanied by, the Prospectus.

A I/we apply for

Initial instalment per BPS

B I/we lodge full Application Payment

at \$50.00 =

A\$

Face Value per BPS A\$100.00, paid to A\$50.00

C Customer Identification Number

D Customer Account Number

E Individual/Joint applications - refer to naming standards overleaf for correct forms of registrable title(s)

Title or Company Name	Given Name(s)	Surname
<input type="text"/>	<input type="text"/>	<input type="text"/>

Joint Applicant 2 or Account Designation
<input type="text"/>

Joint Applicant 3 or Account Designation
<input type="text"/>

F Enter your postal address - Include State and Postcode

Unit	Street Number	Street Name or PO Box /Other Information
<input type="text"/>	<input type="text"/>	<input type="text"/>

City / Suburb / Town	State	Postcode
<input type="text"/>	<input type="text"/>	<input type="text"/>

G Enter your contact details

Contact Name
<input type="text"/>

Telephone Number - Business Hours / After Hours
(<input type="text"/>) <input type="text"/>

H CHESS Participant

Holder Identification Number (HIN)
<input checked="" type="checkbox"/> <input type="text"/>

Please note that if you supply a CHESS HIN but the name and address details on your form do not correspond exactly with the registration details held at CHESS, your application will be deemed to be made without the CHESS HIN, and any securities issued as a result of the offer under the Prospectus will be held on the Issuer Sponsored subregister.

Cheque details - Make your cheque or bank draft payable to Bendigo Bank BPS Offer

Drawer	Cheque Number	BSB Number	Account Number	Amount of cheque
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	A\$ <input type="text"/>
Drawer	Cheque Number	BSB Number	Account Number	Amount of cheque
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	A\$ <input type="text"/>

See back of form for completion guidelines



How to complete this form

A Number of BPS Applied For

Enter the number of BPS you wish to apply for. The Application must be for a minimum of 50 BPS being \$5,000 (with a minimum first instalment of \$2,500 due on application) and thereafter multiples of 10 BPS.

B Application Payment

Enter the relevant amount of Application Payment. To calculate your Application Payment, multiply the number of BPS applied for by the first instalment (\$50). Please make sure the amount of your payment equals this amount.

C Customer Number and D Account Number

If you were a customer of Bendigo Bank at 7.00 pm Melbourne time on 14 February 2005 and wish to receive a priority allocation in priority to other applicants who are not Eligible Shareholders, you must insert your Customer Number (which is made up of 10 digits and the ledger number which is made up of 4 digits) or your Account Number (which is made up of 9 digits).

E Applicant Name(s)

Enter the full name you wish to appear on the statement of share holding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHES) participants should complete their name identically to that presently registered in the CHES system.

F Postal Address

Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

G Contact Details

Enter your contact details. These are not compulsory but will assist us if we need to contact you.

H CHES

If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold BPS allotted to you under this Application in uncertificated form on the CHES subregister, enter your CHES HIN. Otherwise leave the section blank and on allotment you will be sponsored by Bendigo Bank Limited and a SRN will be allocated to you.

I Payment Details

Please complete payment details as follows:

- Make your cheques payable to "Bendigo Bank BPS Offer" in Australian currency and cross it "not negotiable". Your cheque must be drawn on an Australian branch of an Australian bank in Australian dollars. Bank Drafts or money orders in Australian dollars will also be accepted.
- This amount must agree with the amount shown in box "B".
- Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your Application being rejected.
- Pin (do not staple) your cheque(s) to the Application Form where indicated.

I/we declare that by lodging this Application Form, I/we represent and warrant that I/we have read and understood the Prospectus to which this Application Form relates, agree to be bound by the Constitution of Bendigo Bank, the Terms of Issue of the BPS and the terms and conditions of the Offer (including the representations, warranties and agreements contained in the Prospectus) and I/we hereby apply for such number of BPS as may be calculated in accordance with the terms of the Prospectus and agree to take such number of BPS equal to or less than the number of BPS indicated in box A.

I/we hereby authorise Bendigo Bank to complete and execute any documents necessary to effect the allotment of any BPS. By lodging this Application Form, I/we declare that this Application Form is completed and lodged according to the Prospectus and that all statements made by me/us are complete and accurate. I/we represent and warrant that by lodging this Application Form, I/we am/are in compliance with all laws of any jurisdiction outside the Commonwealth of Australia relevant to this Application. I/we acknowledge that I/we am/are residents of, and located in, Australia. I/we declare that I/we am/ are not acting for the account or benefit of any person in the United States or a US Person or any other foreign person and will not offer or sell BPS in the United States to, or for the account of, a US Person.

Lodgement of Application

Application Forms must be received at the Melbourne office of Computershare Investor Services Pty Limited by no later than 5.00pm Melbourne time on 29 April 2005. Return the Application Form with cheque(s) attached to:

Bendigo Bank BPS Offer
C/- Computershare Investor Services Pty Limited
Reply Paid 4658
MELBOURNE VIC 8060

OR Bendigo Bank BPS Offer
C/- Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
ABBOTSFORD VIC 3067

Privacy Statement

Please refer to Section 4.10 of the Prospectus for details about the collection, holding and use of your personal information. If you do not provide the information required on the Application Form, Bendigo Bank may not be able to accept or process your application

If you have any enquiries concerning your application, please contact the Bendigo Bank BPS Information Line on 1300 656 793.

Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold BPS. Applications must be made in the name(s) of natural persons, companies or other legal entities in accordance with the Corporations Act. At least one full given name and the surname is required for each natural person. The name of the beneficial owner or any other registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable title(s) below.

Important Notice

The Corporations Act 2001 prohibits any person from passing onto another person an Application Form in relation to the offer of BPS, unless the Application Form is attached to or accompanies a complete and unaltered copy of the Prospectus. A person who gives another person access to the Application Form must at the same time and by the same means give the other person access to the Prospectus, and any supplementary or replacement prospectus. A paper copy of the Prospectus, any supplementary or replacement prospectus and the Application Form will be provided to you, at no charge, upon request by telephoning the Bendigo Bank BPS Information Line on 1300 656 793. Applications for BPS will only be accepted if made on an Application Form that is attached to or accompanies the Prospectus.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual - Use given name(s) in full, not initials	Mr John Alfred Smith	J A Smith
Joint - Use given name(s) in full, not initials	Mr John Alfred Smith & Mrs Janet Marie Smith	John Alfred & Janet Marie Smith
Company - Use company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
Trusts - Use trustee(s) personal name(s) - Do not use the name of the trust	Ms Penny Smith <Penny Smith Family A/C>	Penny Smith Family Trust
Deceased Estates - Use executor(s) personal name(s) - Do not use the name of the deceased	Mr Michael Smith <Est John Smith A/C>	Estate of Late John Smith
Minor (a person under the age of 18) - Use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Peter Smith



Bendigo Bank Limited
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Fountain Court
Bendigo Victoria 3550

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