

Convertible Preference Shares 2 Prospectus and SPS Reinvestment Offer Information



Prospectus for the issue of Convertible Preference Shares 2
to raise \$250 million with the ability to raise more or less

Issuer: Bendigo and Adelaide Bank Limited | ABN 11 068 049 178 | AFSL 237879
Arranger: Goldman Sachs
Joint Lead Managers: ANZ Securities, Evans & Partners, Goldman Sachs, Morgan Stanley

*Relevant.
Connected.
Valued.*

IMPORTANT NOTICES

About this Prospectus

This Prospectus relates to the Offer by Bendigo and Adelaide Bank Limited (ABN 11 068 049 178) (“**Bendigo and Adelaide Bank**” or the “**Bank**”) of Convertible Preference Shares 2 (“**CPS2**”) at an Issue Price of \$100 each to raise approximately \$250 million, with the ability to raise more or less.

This Prospectus is dated 11 September 2014 and was lodged with the Australian Securities and Investments Commission (“**ASIC**”) on that date. This is a replacement prospectus which replaces the prospectus dated and lodged with ASIC on 3 September 2014 (“**Original Prospectus**”). ASIC and ASX Limited (“**ASX**”) take no responsibility for the contents of this Prospectus nor for the merits of the investment to which this Prospectus relates.

This Prospectus expires on the date which is 13 months after the date of the Original Prospectus (“**Expiry Date**”) and no CPS2 will be issued on the basis of this Prospectus after the Expiry Date.

CPS2 are not deposit liabilities of Bendigo and Adelaide Bank

CPS2 are not deposit liabilities of Bendigo and Adelaide Bank and are not protected accounts for the purposes of the depositor protection provisions in Division 2 of Part II of the Banking Act 1959 (Cth) (“**Banking Act**”) or of the Financial Claims Scheme established under Division 2AA of Part II of the Banking Act and are not guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction. CPS2 are issued by Bendigo and Adelaide Bank under the CPS2 Terms and Holders have no claim on Bendigo and Adelaide Bank except as provided in the CPS2 Terms. CPS2 are complex and may not be suitable for all investors. The investment performance of CPS2 is not guaranteed by Bendigo and Adelaide Bank. The risks associated with investing in these securities could result in the loss of your investment. Information about the risks associated with investing in CPS2 are detailed in Section 6.

Defined words and expressions

Some capitalised words and expressions used in this Prospectus have defined meanings. The Glossary in Appendix B defines these words and expressions.

Definitions specific to CPS2 are in clause 20 of the CPS2 Terms in Appendix A. If there is any inconsistency in definitions between the Prospectus and the CPS2 Terms, the definitions in clause 20 of the CPS2 Terms prevail. In this Prospectus, the singular includes the plural and vice versa.

References to times in this Prospectus are to the time in Melbourne, Victoria, Australia, unless otherwise stated. A reference to \$, A\$, dollars and cents is to Australian currency unless otherwise stated. Unless otherwise stated, all figures have been rounded to two decimal places.

Governing law

This Prospectus and the contracts which arise on acceptance of the Application Forms are governed by the law applicable in Victoria, Australia and each Applicant submits to the non-exclusive jurisdiction of the courts of Victoria, Australia.

Exposure Period

Under the Corporations Act, Bendigo and Adelaide Bank was prohibited from processing Applications in the seven day period after the date on which the Original Prospectus was lodged with ASIC. This period was referred to as the Exposure Period. The purpose of the Exposure Period was to enable the Original Prospectus to be examined by market participants before the raising of funds. Applications received during the Exposure Period

were not processed until after the expiry of the Exposure Period. No preference was conferred on Applications received during the Exposure Period.

How to obtain a Prospectus and Application Form

During the Offer Period, an electronic version of this Prospectus with an Application Form will be available at www.BendigoCPS2offer.com.au. If you access an electronic copy of this Prospectus, then you should read “Electronic access to Prospectus” below.

During the Offer Period, you can also request a free paper copy of this Prospectus and Application Form either online at www.BendigoCPS2offer.com.au or by calling the CPS2 Information Line on 1300 722 018 (within Australia) or +61 3 9415 4814 (International).

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

Electronic access to Prospectus

The following conditions apply if this Prospectus is accessed electronically at www.BendigoCPS2offer.com.au:

- you must download the entire Prospectus;
- your Application will only be considered where you have applied on an Application Form that was attached to or accompanied by a copy of the Prospectus; and
- the Prospectus is available electronically to you only if you are accessing and downloading or printing the electronic copy of the Prospectus in Australia.

Applications for CPS2

Applications for CPS2 under this Prospectus may only be made during the Offer Period (although Bendigo and Adelaide Bank reserves the right to accept late Applications either generally or in particular cases), and pursuant to an Application Form attached to or accompanying this Prospectus.

For information on who is eligible to apply for CPS2 under the Offer and how to make an Application see Section 4.

ASX quotation

Bendigo and Adelaide Bank has applied for CPS2 to be quoted on ASX. CPS2 are expected to trade under ASX code ‘BENPE’.

Providing personal information

You will be asked to provide personal information to Bendigo and Adelaide Bank (directly or via its agents) if you apply for CPS2. See Section 4 and Section 8.12 for information on how Bendigo and Adelaide Bank (and its agents) collect, hold and use this personal information.

Restrictions on distribution

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. As at the date of this Prospectus, no action has been taken to register or qualify CPS2 or the Offer or to otherwise permit a public offering of CPS2 outside Australia.

This Prospectus (including an electronic copy) may not be distributed or released, in whole or in part, in the United States. Neither CPS2 nor the Ordinary Shares have been or will be registered under the US Securities Act or the securities laws of any state of the United States, and they may not be offered or sold in the United States. CPS2 are being offered and sold in the Offer solely outside the United States pursuant to Regulation S under the US Securities Act.

See Section 8.10 for further information.

No representations other than in this Prospectus

You should rely only on information in this Prospectus. No person is authorised to provide any information or to make any representation in connection with the Offer that is not contained in this Prospectus.

Any information or representation not contained in this Prospectus may not be relied upon as having been authorised by Bendigo and Adelaide Bank in connection with the Offer.

Financial information and forward-looking statements

Section 5 sets out in detail the financial information referred to in this Prospectus. The basis of preparation of that information is set out in Section 5.

All financial amounts contained in this Prospectus are expressed in Australian dollars and rounded to the nearest million unless otherwise stated. Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

This Prospectus contains forward-looking statements which are identified by words such as “may”, “could”, “believes”, “estimates”, “expects”, “intends” and other similar words that involve risks and uncertainties.

Any forward-looking statements are subject to various risk factors that could cause actual circumstances or outcomes to differ materially from the circumstances or outcomes expressed, implied or anticipated in these statements. Forward-looking statements should be read in conjunction with the risk factors as set out in Section 6 and other information in this Prospectus.

This Prospectus does not provide financial product or investment advice – you should seek your own professional investment advice

The Offer, and the information in this Prospectus, does not take into account your investment objectives, financial situation and particular needs (including financial and tax issues) as an investor. It is important that you read the entire Prospectus before deciding whether to apply for CPS2.

In particular, in considering whether to apply for CPS2, it is important that you:

- consider the risk factors, including those that could affect CPS2 or the financial performance and position of Bendigo and Adelaide Bank – see Section 6;
- carefully consider these risk factors and other information in the Prospectus in light of your particular investment objectives, financial situation and particular needs (including financial and tax issues); and
- seek professional investment advice from your financial adviser or other professional adviser.

Except for any liability which cannot be excluded by law, each Joint Lead Manager, its respective directors, officers, employees and advisers expressly disclaims and does not accept any responsibility or liability for the contents of the Prospectus, the CPS2 or the Offer.

Diagrams

The diagrams used in this Prospectus are illustrative only. They may not necessarily be shown to scale. The diagrams are based on information which is current as at the date of this Prospectus.

Enquiries

If you are considering applying for CPS2 under the Offer, this document is important and should be read in its entirety.

If you have any questions in relation to the Offer, please call the CPS2 Information Line on 1300 722 018 (within Australia) or +61 3 9415 4814 (International) (Monday to Friday – 9:00am to 5:00pm) or contact your Syndicate Broker or other professional adviser.

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How to Apply for Bendigo and Adelaide Bank CPS2

| | |
|--|---|
| <p>1. Read this Prospectus in full</p> | <p>It is important that you read and consider the Prospectus in full before making an Application.</p> <p>You should have particular regard to the:</p> <ul style="list-style-type: none"> • Investment Overview in Section 1 and About CPS2 in Section 2; • Investment Risks in Section 6; and • CPS2 Terms in Appendix A. <p>You should carefully consider the risks and other information in the Prospectus in light of your investment objectives, financial situation and particular needs (including financial and taxation issues).</p> |
| <p>2. Speak to your professional adviser</p> | <p>If you are unsure whether to apply for CPS2, you should seek professional guidance from your financial adviser or other professional adviser about the Offer.</p> |
| <p>3. Consider ASIC Guidance for retail investors</p> | <p>ASIC has published guidance on their MoneySmart website which may be relevant to your consideration of CPS2. You can find this guidance by searching “hybrid securities” at www.moneysmart.gov.au.</p> <p>The guidance includes a series of questions you should ask before you invest in hybrid securities, as well as a short quiz to check your understanding of how hybrids work, their features and risks.</p> |
| <p>4. Complete and submit your Application Form and Application Payment</p> | <p>If you have decided to apply for CPS2, you need to apply pursuant to the Application Form (either electronic or paper) attached to or accompanying this Prospectus.</p> <p>Eligible SPS Holders, Eligible Securityholders and Applicants under the General Offer may also apply online at www.BendigoCPS2offer.com.au</p> <p>The application process varies depending on whether you participate in the Reinvestment Offer, Securityholder Offer, Broker Firm Offer, Institutional Offer or General Offer.</p> <p>If you are applying under the Reinvestment Offer, Securityholder Offer or General Offer, your Application Form must be received by the Closing Date, expected to be Friday, 3 October 2014. If you are applying under the Broker Firm Offer, your Application must be received by the Closing Date for the Broker Firm Offer, expected to be Thursday, 9 October 2014. All Applications in respect of Reinvested SPS (including those applied for under the Broker Firm Offer) must be received by the earlier Closing Date, expected to be Friday, 3 October 2014.</p> <p>See Section 4 for more details on how to apply.</p> <p>The Offer may close early so you are encouraged to consider submitting your Application as soon as possible after the Opening Date.</p> |

Summary of Key Dates

| KEY DATES FOR THE OFFER | DATE |
|--|---------------------------------------|
| Date for determining Eligible Securityholders | Tuesday, 2 September 2014 |
| Lodgement of the Original Prospectus with ASIC | Wednesday, 3 September 2014 |
| Bookbuild to determine the Margin | Monday, 8 September 2014 |
| Announcement of the Margin | Monday, 8 September 2014 |
| Lodgement of this Prospectus with ASIC | Thursday, 11 September 2014 |
| Opening Date | Thursday, 11 September 2014 |
| Closing Date for Securityholder Offer and General Offer | 5:00pm, Friday, 3 October 2014 |
| Closing Date for Broker Firm Offer (excluding applications in respect of Reinvested SPS) | 10:00am, Thursday, 9 October 2014 |
| Issue Date | Friday, 10 October 2014 |
| CPS2 commence trading on ASX (deferred settlement basis) | Monday, 13 October 2014 |
| Holding Statements despatched by | Thursday, 16 October 2014 |
| CPS2 commence trading on ASX (normal settlement basis) | Friday, 17 October 2014 |
| KEY DATES FOR CPS2 | |
| First Dividend Payment Date ^a | Sunday, 30 November 2014 ^b |
| Optional Exchange Date | Monday, 30 November 2020 |
| Mandatory Conversion Date ^c | Wednesday, 30 November 2022 |
| KEY DATES FOR SPS HOLDERS | |
| Record date for determining Eligible SPS Holders for the Reinvestment Offer | Tuesday, 2 September 2014 |
| Record date for SPS Dividend | Wednesday, 24 September 2014 |
| Last day of trading for SPS on ASX | Tuesday, 30 September 2014 |
| Closing Date for the Reinvestment Offer | 5:00pm, Friday, 3 October 2014 |
| Closing Date for the Broker Firm Offer (applications in respect of Reinvested SPS) | 5:00pm, Friday, 3 October 2014 |
| Redemption date for SPS and payment date for SPS Dividend | Friday, 10 October 2014 |

References to times in this Prospectus are to the time in Melbourne, Victoria, Australia, unless otherwise stated.

Dates may change

The key dates above are indicative only and may change without notice.

Bendigo and Adelaide Bank and the Joint Lead Managers may agree to vary the timetable, including extending any Closing Date, closing the Offer early without notice, accepting late Applications either generally or in particular cases or withdrawing the Offer at any time before CPS2 are issued. If the Offer is withdrawn before the issue of CPS2, all Application Payments received by Bendigo and Adelaide Bank will be refunded (without interest) to Applicants as soon as possible after the withdrawal. Furthermore, ASIC may extend the Exposure Period by up to seven days in which case the Opening Date and other dates may be varied accordingly without notice.

If you wish to apply for CPS2, you are encouraged to do so as soon as possible after the Opening Date.

- Dividends are scheduled to be paid at the end of each semi-annual Dividend Period (on 30 November and 30 May) subject to the Dividend Payment Tests. If any of these scheduled dates are not Business Days, then the Dividend Payment Date will occur on the next Business Day.
- The first Dividend Payment Date of 30 November 2014 is not a Business Day. Accordingly the first Dividend is expected to be paid on the next Business Day, being 1 December 2014.
- The Mandatory Conversion Date may be later than 30 November 2022, or may not occur at all, if the Mandatory Conversion Conditions are not satisfied – see Section 2.5.

Chairman's Letter



11 September 2014

Dear Investors,

On behalf of the Directors, I am pleased to offer you the opportunity to invest in Bendigo and Adelaide Bank through a new security called Bendigo and Adelaide Bank Convertible Preference Shares 2 (“CPS2”).

CPS2 will be issued to support the Bank's balance sheet growth and to ensure the Bank continues to have strong regulatory capital levels. The existence of a strong pool of capital has been one of the cornerstones of the Bank's prosperity throughout its 156-year history. These new securities will further strengthen that base of capital.

If you are a holder of Bendigo and Adelaide Bank's step up preference shares (ASX ticker code: BENPC) (“SPS”) you have an opportunity to participate in the offer of CPS2 by way of a Reinvestment Offer or through a Syndicate Broker. Eligible SPS holders can elect to have

their SPS redeemed for their face value of \$100 each and reinvested in CPS2 on the Issue Date. Eligible SPS holders will be guaranteed an allocation of one CPS2 for every SPS held.

CPS2 are also being offered under a Securityholder Offer, a General Offer, a Broker Firm Offer and an Institutional Offer.

CPS2 are fully paid convertible preference shares to be issued by Bendigo and Adelaide Bank.

CPS2 provide investors with floating rate, semi-annual, discretionary, non-cumulative dividends which are expected to be fully franked. The Margin on CPS2 is 3.20% per annum. CPS2 are expected to be quoted on the ASX.

If certain conditions are met, the Bank may elect to Convert CPS2 into Ordinary Shares of Bendigo and Adelaide Bank, or Redeem or Resell CPS2, on 30 November 2020. Otherwise CPS2 will mandatorily convert into Ordinary Shares on 30 November 2022 (unless Exchanged earlier and subject to certain conditions being satisfied).

Bendigo and Adelaide Bank intends to raise approximately \$250 million through the offer of CPS2 with the ability to raise more or less.

The terms of the CPS2 are more complex than a simple debt or ordinary equity instrument. Trading volumes in hybrid instruments such as CPS2 are typically lower than in Bendigo and Adelaide Bank's ordinary shares.

Details of this investment opportunity are in this Prospectus. The Directors encourage you to read the Prospectus carefully, in particular the investment risks described in Section 6, before deciding whether to subscribe. If you are uncertain whether CPS2 are a suitable investment for you, we encourage you to consult your financial adviser or other professional adviser.

If you have any questions, please call the CPS2 Information Line on 1300 722 018 (within Australia) or +61 3 9415 4814 (International) between 9:00am and 5:00pm, Monday to Friday or visit www.BendigoCPS2offer.com.au.

We aim to be Australia's most customer-connected bank. Our strength comes from working collaboratively with our customers, staff, partners and communities to deliver sustainable outcomes. We invite you to be a part of this collaboration, and consider this opportunity to invest in Bendigo and Adelaide Bank CPS2.

Yours sincerely

A handwritten signature in black ink that reads "Robert Johanson". The signature is written in a cursive, slightly stylized font.

Robert Johanson
Chairman

1. Investment Overview

This Section provides a summary of information that is key to a decision whether to invest in CPS2.

| Topic | Summary | Further information |
|--|--|---------------------|
| 1.1 Key features of the Offer | | |
| Who is the Issuer? | <ul style="list-style-type: none"> The Issuer is Bendigo and Adelaide Bank. Bendigo and Adelaide Bank is a leading Australian bank and is an ASX top 100 company by market capitalisation. | Section 5 |
| What are the key Offer details? | <ul style="list-style-type: none"> The Offer size is \$250 million (including the Reinvestment Offer) with the ability to raise more or less. The Issue Price is \$100 per CPS2. | Section 2.1 |
| What are CPS2? | <ul style="list-style-type: none"> CPS2 are fully paid convertible preference shares to be issued by Bendigo and Adelaide Bank. CPS2 will be eligible Additional Tier 1 Capital for Bendigo and Adelaide Bank. | Section 2 |
| Quotation | <ul style="list-style-type: none"> Bendigo and Adelaide Bank has applied for CPS2 to be quoted on ASX. CPS2 are expected to trade under ASX code "BENPE". | Section 4.6.1 |
| 1.2 Key CPS2 terms | | |
| What Dividends are payable? | <ul style="list-style-type: none"> CPS2 are scheduled to pay semi-annual Dividends in arrears in cash on 30 November¹ and 30 May each year, until Converted or Redeemed. Dividends on CPS2 are preferred, discretionary, non-cumulative floating rate payments and are subject to the Dividend Payment Tests. A Dividend is only payable if the Directors resolve to pay it and the other conditions to payment are met. These include that: <ul style="list-style-type: none"> payment of the Dividend will not result in a breach of Bendigo and Adelaide Bank's Prudential Capital Requirements under the Prudential Standards; paying the Dividend will not result in Bendigo and Adelaide Bank becoming, or being likely to become, insolvent; and APRA not otherwise objecting to the Dividend being paid. The Dividend Rate is calculated using the following formula: $\text{Dividend Rate} = (\text{Bank Bill Rate} + \text{Margin}) \times (1 - \text{Tax Rate})$ where: <ul style="list-style-type: none"> Margin is 3.20%; and Tax Rate is the Australian corporate tax rate applicable to the franking account of Bendigo and Adelaide Bank at the relevant Dividend Payment Date. | Section 2.3 |

1. The first Dividend Payment Date of 30 November 2014 is not a Business Day. Accordingly the first Dividend is expected to be paid on the next Business Day, being 1 December 2014.

| Topic | Summary | Further information |
|--|--|------------------------------------|
| <p>What Dividends are payable? <i>(continued)</i></p> | <ul style="list-style-type: none"> • Dividends are expected to be fully franked. However, Holders should be aware that franking is not guaranteed and a Holder's ability to use franking credits depends on their individual circumstances. • Dividends are non-cumulative, which means that unpaid Dividends do not accumulate. Holders will not have any right to compensation if Bendigo and Adelaide Bank does not pay a scheduled Dividend and failure by Bendigo and Adelaide Bank to pay a Dividend when scheduled will not constitute an event of default. • If a Dividend is not paid in full on a Dividend Payment Date, subject to certain exceptions, Bendigo and Adelaide Bank cannot declare or pay a dividend on Ordinary Shares, or buy-back or reduce capital on Ordinary Shares, until and including the next Dividend Payment Date (unless the Dividend is paid in full within three Business Days of the relevant Dividend Payment Date). | <p>Section 2.3</p> |
| <p>Will I get my capital back?</p> | <ul style="list-style-type: none"> • CPS2 do not have any fixed maturity date and could remain on issue indefinitely. • What will happen to CPS2 is uncertain and depends on a number of factors including whether Mandatory Conversion will occur, whether Bendigo and Adelaide Bank elects to Exchange CPS2 on the grounds set out in the CPS2 Terms, and whether APRA's approval is given when required under the CPS2 Terms. Holders should not expect that APRA will give its approval for any Conversion, Redemption or Resale. • Holders do not have a right to request Bendigo and Adelaide Bank to Convert CPS2 into Ordinary Shares or Redeem or Resell CPS2. • CPS2 are expected to be quoted on ASX so that they can be bought and sold on ASX. There may or may not be a liquid market for CPS2, which in turn may affect the market price of CPS2, and whether you will get your capital back. • If ASX does not grant permission for CPS2 to be quoted, CPS2 will not be issued and all Application Payments will be refunded (without interest) as soon as practicable. | <p>Sections 2.4, 2.5 and 4.6.1</p> |
| <p>Will CPS2 be Redeemed or Resold?</p> | <ul style="list-style-type: none"> • If certain conditions are met, Bendigo and Adelaide Bank will have a right, but not an obligation, to Redeem or Resell CPS2: <ul style="list-style-type: none"> – on 30 November 2020; – on the occurrence of a Tax Event (for example, this may include where an unanticipated change in Australian tax law after the Issue Date results in an increase in the costs to Bendigo and Adelaide Bank of CPS2 being on issue); or – on the occurrence of a Regulatory Event (for example, this may include where an unanticipated change in Australian law or regulation after the Issue Date would impose additional requirements on Bendigo and Adelaide Bank in relation to CPS2 which the Directors determine to be unacceptable or if the CPS2 are no longer classified as Additional Tier 1 Capital of Bendigo and Adelaide Bank). | <p>Section 2.4</p> |

| Topic | Summary | Further information |
|---|--|---------------------------------------|
| <p>Will CPS2 be Redeemed or Resold? <i>(continued)</i></p> | <ul style="list-style-type: none"> • There are restrictions on Bendigo and Adelaide Bank’s right to Redeem CPS2 with cash. • Most importantly, Bendigo and Adelaide Bank can only Redeem CPS2 if APRA is satisfied that either CPS2 have been replaced with regulatory capital of the same or better quality under conditions that are sustainable for the Bank’s income capacity or CPS2 need not be replaced having regard to the Bendigo and Adelaide Bank Group’s projected capital position. This is intended to protect Bendigo and Adelaide Bank’s creditors. • Holders should not expect that APRA will give its approval for any Resale or Redemption. | <p>Section 2.4</p> |
| <p>Will CPS2 Convert into Ordinary Shares?</p> | <ul style="list-style-type: none"> • CPS2 must Convert into Ordinary Shares on a Mandatory Conversion Date (if certain conditions are satisfied) or following a Capital Trigger Event, a Non-Viability Trigger Event or a Change of Control Event. This may or may not be advantageous for Holders. • CPS2 may Convert into Ordinary Shares on the Optional Exchange Date, being 30 November 2020, or following a Tax Event, a Regulatory Event or an Acquisition Event (with APRA’s written approval). • Mandatory Conversion: Unless Exchanged earlier, CPS2 must Convert into Ordinary Shares on the Scheduled Mandatory Conversion Date, being 30 November 2022, subject to the Mandatory Conversion Conditions being satisfied. These conditions are intended to protect Holders against receiving Ordinary Shares worth less than approximately \$101.01 per CPS2 and ensure that the Ordinary Shares are capable of being sold on ASX. If any of the Mandatory Conversion Conditions are not satisfied on the Scheduled Mandatory Conversion Date, the Mandatory Conversion Date will be deferred until the next Dividend Payment Date in respect of which all of the Mandatory Conversion Conditions are satisfied. CPS2 includes a restriction on the number of Ordinary Shares that may be issued upon Conversion (the “Maximum Conversion Number”). Generally, this restriction means that the maximum number of Ordinary Shares issued on Conversion cannot exceed the number that would be issued if the CPS2 were Converted at a conversion price equal to: <ul style="list-style-type: none"> – 50% of the Issue Date VWAP if Conversion is occurring on a Mandatory Conversion Date; or – 20% of the Issue Date VWAP in the case of any other Conversion. • Capital Trigger Event: Bendigo and Adelaide Bank will be required to Convert CPS2 into Ordinary Shares (or, where that is not possible, Write Off CPS2) if Bendigo and Adelaide Bank determines, or APRA notifies Bendigo and Adelaide Bank in writing that it believes, that either or both of Bendigo and Adelaide Bank’s Level 1 or Level 2 Group Common Equity Tier 1 Capital Ratio is equal to or less than 5.125%. • Non-Viability Trigger Event: Bendigo and Adelaide Bank will be required to Convert CPS2 into Ordinary Shares (or, where that is not possible, Write Off CPS2) if APRA determines that Bendigo and Adelaide Bank would be non-viable (including where Bendigo and Adelaide Bank is unable to meet its obligations to creditors). | <p>Sections 2.4, 2.5, 2.6 and 2.7</p> |

| Topic | Summary | Further information |
|--|---|---------------------------------------|
| <p>Will CPS2 Convert into Ordinary Shares? <i>(continued)</i></p> | <p>Conversion on account of a Capital Trigger Event or a Non-Viability Trigger Event would not be subject to the Mandatory Conversion Conditions being satisfied and the number of Ordinary Shares a Holder will receive will be capped at the Maximum Conversion Number.</p> <p>If Conversion occurs in circumstances where a Capital Trigger Event or a Non-Viability Trigger Event has occurred, Holders are likely to receive Ordinary Shares that are worth significantly less than \$101.01 for each CPS2 they hold.</p> <ul style="list-style-type: none"> • Inability Event: If, following a Capital Trigger Event or a Non-Viability Trigger Event, Bendigo and Adelaide Bank is prevented for any reason from Converting CPS2 (within five Business Days after the Capital Trigger Conversion Date or the Non-Viability Conversion Date (as applicable)), those CPS2 will not be Converted but instead Written Off. This means that certain rights attached to the CPS2 will be amended to approximate the Ordinary Share rights which the Holder would have had if the relevant CPS2 had Converted into Ordinary Shares. • Change of Control Event: Bendigo and Adelaide Bank will be required, subject to certain conditions, to Convert CPS2 into Ordinary Shares following the occurrence of a Change of Control Event (for example, an unconditional takeover bid for Bendigo and Adelaide Bank in which all regulatory approvals necessary for the acquisition to occur have been obtained). • Optional Conversion: Bendigo and Adelaide Bank may also elect, subject to certain conditions, to Convert CPS2 into Ordinary Shares with APRA's written approval if a Tax Event, Regulatory Event or Acquisition Event occurs. In addition, subject to certain conditions and APRA's written approval, Bendigo and Adelaide Bank may also Convert CPS2 on the Optional Exchange Date, being 30 November 2020. If Bendigo and Adelaide Bank chooses to Convert CPS2 in these circumstances, each Holder should receive approximately \$101.01 worth of Ordinary Shares per CPS2.² • Approved NOHC Event: If an Approved NOHC Event has occurred, Conversion will be into Approved NOHC Ordinary Shares. | <p>Sections 2.4, 2.5, 2.6 and 2.7</p> |
| <p>What are the voting rights of CPS2 Holders?</p> | <ul style="list-style-type: none"> • CPS2 do not carry voting rights, except in limited circumstances. | <p>Section 2.9.3</p> |

2. By the time of Conversion the value of Ordinary Shares received may be worth more or less than \$101.01 – see Section 6.1.10 for further information.

| Topic | Summary | Further information | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| <p>How would CPS2 rank in a winding-up of Bendigo and Adelaide Bank?</p> | <ul style="list-style-type: none"> In a winding-up of Bendigo and Adelaide Bank, and assuming CPS2 have not been Exchanged and are not required to be Converted or Written Off due to a Capital Trigger Event or a Non-Viability Trigger Event, CPS2 rank ahead of Ordinary Shares, equally and without preference with other CPS2, equally with Equal Ranking Instruments, but behind the claims of all creditors of Bendigo and Adelaide Bank (other than creditors who are expressed to rank equally with CPS2 in a winding up), as shown below. <table border="1" data-bbox="523 510 1177 925"> <thead> <tr> <th>Ranking</th> <th>Type</th> <th>Illustrative examples</th> </tr> </thead> <tbody> <tr> <td rowspan="3">Higher ↑ ↓ Lower</td> <td>Higher Ranking</td> <td>Preferred and secured debt</td> <td>Liabilities in Australia in relation to protected accounts (generally, savings accounts and term deposits) and other liabilities preferred by law including employee entitlements and secured creditors</td> </tr> <tr> <td></td> <td>Unsubordinated and unsecured debt</td> <td>Unsubordinated and unsecured bonds and notes, trade and general creditors</td> </tr> <tr> <td></td> <td>Subordinated and unsecured debt (unless expressed to rank equally with preference shares)</td> <td>Subordinated and unsecured debt obligations and Capital Notes</td> </tr> <tr> <td>Equal Ranking</td> <td>Preference shares and Equal Ranking Instruments</td> <td>CPS2, CPS, BPS, SPS and any other preference shares or securities expressed to rank equally with CPS2</td> </tr> <tr> <td>Lower Ranking</td> <td>Ordinary Shares</td> <td>Ordinary Shares</td> </tr> </tbody> </table> <ul style="list-style-type: none"> Any return in a winding-up may be adversely affected if APRA determines that a Capital Trigger Event or a Non-Viability Trigger Event has occurred. A CPS2 required to be Converted on account of a Capital Trigger Event or a Non-Viability Trigger Event will be Converted and rank as an Ordinary Share, or if that is not possible, Written Off, in which case the Holder's claim ranks in substance with the claims of Ordinary Shares. | Ranking | Type | Illustrative examples | Higher ↑ ↓ Lower | Higher Ranking | Preferred and secured debt | Liabilities in Australia in relation to protected accounts (generally, savings accounts and term deposits) and other liabilities preferred by law including employee entitlements and secured creditors | | Unsubordinated and unsecured debt | Unsubordinated and unsecured bonds and notes, trade and general creditors | | Subordinated and unsecured debt (unless expressed to rank equally with preference shares) | Subordinated and unsecured debt obligations and Capital Notes | Equal Ranking | Preference shares and Equal Ranking Instruments | CPS2, CPS, BPS, SPS and any other preference shares or securities expressed to rank equally with CPS2 | Lower Ranking | Ordinary Shares | Ordinary Shares | <p>Section 2.9.1 Clause 11 of CPS2 Terms</p> | | | | | | | | | | | | | | | | | | | | | | | |
| Ranking | Type | Illustrative examples | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Higher ↑ ↓ Lower | Higher Ranking | Preferred and secured debt | Liabilities in Australia in relation to protected accounts (generally, savings accounts and term deposits) and other liabilities preferred by law including employee entitlements and secured creditors | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | Unsubordinated and unsecured debt | Unsubordinated and unsecured bonds and notes, trade and general creditors | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | Subordinated and unsecured debt (unless expressed to rank equally with preference shares) | Subordinated and unsecured debt obligations and Capital Notes | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Equal Ranking | Preference shares and Equal Ranking Instruments | CPS2, CPS, BPS, SPS and any other preference shares or securities expressed to rank equally with CPS2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Lower Ranking | Ordinary Shares | Ordinary Shares | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>Summary of certain events that may affect what Holders receive and when they receive it</p> | <ul style="list-style-type: none"> The table below summarises certain events that may affect what Holders are likely to receive on CPS2. The events are subject to contingencies such as the solvency and/or non-viability of Bendigo and Adelaide Bank and in some cases election by Bendigo and Adelaide Bank. Accordingly they may not occur. <table border="1" data-bbox="491 1406 1385 1921"> <thead> <tr> <th>Event</th> <th>When?</th> <th>Is APRA approval required?</th> <th>Do conditions apply?</th> <th>What value will a holder receive?³</th> <th>In what form will that value be provided to holders?</th> <th>Where to find further information?</th> </tr> </thead> <tbody> <tr> <td>Optional Redemption or Resale</td> <td>On 30 November 2020 or following a Tax Event or Regulatory Event</td> <td>Yes</td> <td>Yes</td> <td>\$100</td> <td>Payment in Australian dollars</td> <td>Section 2.4</td> </tr> <tr> <td>Optional Conversion</td> <td>On 30 November 2020 or following a Tax Event, Regulatory Event or Acquisition Event</td> <td>Yes</td> <td>Yes</td> <td>Approximately \$101.01</td> <td>Variable number of Ordinary Shares</td> <td>Section 2.4</td> </tr> <tr> <td>Mandatory Conversion on a Mandatory Conversion Date</td> <td>On 30 November 2022 or the first Dividend Payment Date after that date on which the Mandatory Conversion Conditions are satisfied</td> <td>No</td> <td>Yes</td> <td>Approximately \$101.01</td> <td>Variable number of Ordinary Shares</td> <td>Section 2.5</td> </tr> <tr> <td>Early Conversion upon a Change of Control Event</td> <td>On the Change of Control Conversion Date</td> <td>No</td> <td>Yes</td> <td>Approximately \$101.01</td> <td>Variable number of Ordinary Shares</td> <td>Section 2.7</td> </tr> <tr> <td>Automatic Conversion or Write Off upon a Capital Trigger Event or Non-Viability Trigger Event</td> <td>Immediately on a Capital Trigger Event or Non-Viability Trigger Event occurring</td> <td>No</td> <td>No</td> <td>Between \$101.01 (and possibly significantly less) and \$0</td> <td>Variable number of Ordinary Shares or, if Conversion is not possible, CPS2 will be Written Off where an Inability Event occurs</td> <td>Section 2.6</td> </tr> </tbody> </table> | Event | When? | Is APRA approval required? | Do conditions apply? | What value will a holder receive? ³ | In what form will that value be provided to holders? | Where to find further information? | Optional Redemption or Resale | On 30 November 2020 or following a Tax Event or Regulatory Event | Yes | Yes | \$100 | Payment in Australian dollars | Section 2.4 | Optional Conversion | On 30 November 2020 or following a Tax Event, Regulatory Event or Acquisition Event | Yes | Yes | Approximately \$101.01 | Variable number of Ordinary Shares | Section 2.4 | Mandatory Conversion on a Mandatory Conversion Date | On 30 November 2022 or the first Dividend Payment Date after that date on which the Mandatory Conversion Conditions are satisfied | No | Yes | Approximately \$101.01 | Variable number of Ordinary Shares | Section 2.5 | Early Conversion upon a Change of Control Event | On the Change of Control Conversion Date | No | Yes | Approximately \$101.01 | Variable number of Ordinary Shares | Section 2.7 | Automatic Conversion or Write Off upon a Capital Trigger Event or Non-Viability Trigger Event | Immediately on a Capital Trigger Event or Non-Viability Trigger Event occurring | No | No | Between \$101.01 (and possibly significantly less) and \$0 | Variable number of Ordinary Shares or, if Conversion is not possible, CPS2 will be Written Off where an Inability Event occurs | Section 2.6 | <p>Section 2.4 to 2.7</p> |
| Event | When? | Is APRA approval required? | Do conditions apply? | What value will a holder receive? ³ | In what form will that value be provided to holders? | Where to find further information? | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Optional Redemption or Resale | On 30 November 2020 or following a Tax Event or Regulatory Event | Yes | Yes | \$100 | Payment in Australian dollars | Section 2.4 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Optional Conversion | On 30 November 2020 or following a Tax Event, Regulatory Event or Acquisition Event | Yes | Yes | Approximately \$101.01 | Variable number of Ordinary Shares | Section 2.4 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Mandatory Conversion on a Mandatory Conversion Date | On 30 November 2022 or the first Dividend Payment Date after that date on which the Mandatory Conversion Conditions are satisfied | No | Yes | Approximately \$101.01 | Variable number of Ordinary Shares | Section 2.5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Early Conversion upon a Change of Control Event | On the Change of Control Conversion Date | No | Yes | Approximately \$101.01 | Variable number of Ordinary Shares | Section 2.7 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Automatic Conversion or Write Off upon a Capital Trigger Event or Non-Viability Trigger Event | Immediately on a Capital Trigger Event or Non-Viability Trigger Event occurring | No | No | Between \$101.01 (and possibly significantly less) and \$0 | Variable number of Ordinary Shares or, if Conversion is not possible, CPS2 will be Written Off where an Inability Event occurs | Section 2.6 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

3. The value stated is the value a Holder will receive on Conversion based on the share prices during a specified period prior to Conversion (not on the share price on Conversion itself) and since the Conversion Number may not exceed the Maximum Conversion Number the value received may be less than \$101.01 and, in the case of Conversion on account of a Capital Trigger Event or a Non-Viability Trigger Event, substantially less than \$101.01.

| Topic | Summary | Further information |
|---|---|----------------------|
| 1.3 Overview of Bendigo and Adelaide Bank | | |
| Bendigo and Adelaide Bank | <ul style="list-style-type: none"> • Bendigo Bank and Adelaide Bank’s current business was formed through the merger of Bendigo Bank and Adelaide Bank in November 2007. The holding company is Bendigo and Adelaide Bank Limited (ABN 11 068 049 178), which is owned by more than 90,000 shareholders. • Bendigo and Adelaide Bank has over 5,000 staff and is listed on ASX, with a market capitalisation of \$5.7 billion as at 3 September 2014. • Bendigo and Adelaide Bank’s activities are conducted through a network of brands, including Bendigo Bank, Adelaide Bank, Bendigo Wealth, Leveraged Equities, Rural Bank, Rural Finance and Delphi Bank. • Bendigo Bank provides banking and wealth management services to individuals and small to medium sized businesses. The business operates the unique Community Bank® model. • Delphi Bank provides banking services to individuals and small to medium sized businesses, especially in the Hellenic community in Australia. • Bendigo Wealth includes the funds management business, Sandhurst Trustees. • Leveraged Equities is Bendigo and Adelaide Bank’s margin lending business. • Bendigo and Adelaide Bank operates a substantial third-party banking business through the Adelaide Bank brand, providing mortgages to a large number of Australians via a network of brokers and mortgage managers. • Rural Bank and Rural Finance provide specialised banking products and services to primary producers and agribusiness participants. • Bendigo and Adelaide Bank had: <ul style="list-style-type: none"> – statutory earnings of \$372.3 million and cash earnings of \$382.3 million for the 12 months ended 30 June 2014; – net assets of \$4.97 billion and total assets of \$65.1 billion at 30 June 2014; and – a Common Equity Tier 1 Capital Ratio of 8.73%⁴ and a Tier 1 Capital Ratio of 9.99% at 30 June 2014. | Section 5.1 |
| 1.4 Key benefits and risks | | |
| <p>Before applying for CPS2, you should consider whether CPS2 are a suitable investment for you.</p> <p>There are risks associated with an investment in CPS2 and in Bendigo and Adelaide Bank, many of which are outside the control of Bendigo and Adelaide Bank and its Directors. Some key risks include those in this Section 1.4. These and other risks are addressed in more detail in Section 6 and elsewhere in this Prospectus.</p> | | |
| 1.4.1 Key benefits associated with an investment in CPS2 | | |
| Key benefits of CPS2 | <ul style="list-style-type: none"> • Some of the benefits of an investment in CPS2 include: <ul style="list-style-type: none"> – Dividends are calculated on the basis of a floating rate (being the Bank Bill Rate) plus a fixed Margin; – the Margin is 3.20%; – Dividends are expected to be paid semi-annually in arrears and are expected to be fully franked; and – CPS2 may be sold on ASX. | Sections 2.1 and 2.3 |

4. If the acquisition of Rural Finance Corporation of Victoria occurred on 30 June 2014, the Common Equity Tier 1 Capital Ratio based on provisional accounting estimates would have been 8.02% on a pro forma basis.

| Topic | Summary | Further information |
|--|---|---------------------|
| 1.4.2 Key risks associated with an investment in CPS2 | | |
| Not deposit liabilities | <ul style="list-style-type: none"> CPS2 are not deposit liabilities of Bendigo and Adelaide Bank or any member of the Bendigo and Adelaide Bank Group, are not protected accounts for the purposes of the depositor protection provisions under the Banking Act and are not guaranteed or insured by any government or other person. | Section 6.1.1 |
| Market price of CPS2 | <ul style="list-style-type: none"> The price at which Holders are able to sell CPS2 on ASX is uncertain. Circumstances in which the price of CPS2 may decline include general financial market conditions, the availability of better rates of return on other securities and investor perceptions of Bendigo and Adelaide Bank's financial performance or position. CPS2 may trade at a market price below the Issue Price and there is no guarantee that CPS2 will remain continuously quoted on ASX. Unlike Ordinary Shares, CPS2 do not provide a material exposure to growth in Bendigo and Adelaide Bank's business. | Section 6.1.2 |
| Liquidity | <ul style="list-style-type: none"> There may be no liquid market for CPS2. Holders who wish to sell their CPS2 may be unable to do so at a price acceptable to them, or at all. | Section 6.1.3 |
| Exposure to Bendigo and Adelaide Bank Group's financial performance | <ul style="list-style-type: none"> If Bendigo and Adelaide Bank Group's financial performance or position declines, or if market participants anticipate that it may decline, an investment in CPS2 could decline in value even if CPS2 have not been Converted. | Section 6.1.4 |
| Changes in Dividend Rate | <ul style="list-style-type: none"> The Dividend Rate will fluctuate (both increasing and decreasing) over time as a result of movements in the Bank Bill Rate. There is a risk that the Dividend Rate may become less attractive when compared with the rates of return available on comparable securities. | Section 6.1.5 |
| Dividends may not be paid | <ul style="list-style-type: none"> There is a risk that Dividends will not be paid, including where the Directors resolve not to pay a Dividend or where APRA objects to a Dividend payment. Dividends are non-cumulative. Accordingly, in the event that Bendigo and Adelaide Bank does not pay a scheduled Dividend, a Holder has no entitlement to that Dividend and failure to pay a Dividend when scheduled will not constitute an event of default. | Section 6.1.6 |
| Fluctuation in Ordinary Share price | <ul style="list-style-type: none"> The market price of Ordinary Shares may fluctuate due to various factors. These include investor perceptions, Australian and worldwide economic conditions, interest rates, credit margins, equity markets, movements in foreign exchange rates, Bendigo and Adelaide Bank's financial performance and position and other factors that may affect that performance and position. The market price may also be affected by the actual or prospective Conversion of CPS2. Holders receiving Ordinary Shares on Conversion may not be able to sell those Ordinary Shares at the price on which the Conversion calculation was based, or at all. | Section 6.1.10 |

| Topic | Summary | Further information |
|--|---|----------------------------------|
| <p>CPS2 are perpetual and Mandatory Conversion may not occur on the Scheduled Mandatory Conversion Date or at all</p> | <ul style="list-style-type: none"> • There is a risk that Conversion will not occur on the Scheduled Mandatory Conversion Date, or any subsequent Mandatory Conversion Date, because the Mandatory Conversion Conditions are not satisfied due to a large fall in the Ordinary Share price relative to the Issue Date VWAP, or where a Delisting Event applies. | <p>Section 6.1.11</p> |
| <p>It is not certain whether and when CPS2 may be Exchanged</p> | <ul style="list-style-type: none"> • There are a number of scenarios in which CPS2 may be Exchanged. It is uncertain whether and when Exchange may occur. If an Exchange does occur, the timing of the Exchange may not suit Holders. • CPS2 (subject to certain conditions) may be Converted, Redeemed or Resold on the Optional Exchange Date or early due to a Regulatory Event or a Tax Event or Converted early due to an Acquisition Event. • CPS2 must (subject to certain conditions) be Converted after a Change of Control Event. • The timing of any Exchange may not suit individual Holder preferences or circumstances. • Exchange is subject to APRA approval. | <p>Sections 6.1.12 to 6.1.14</p> |
| <p>Conversion following a Capital Trigger Event or a Non-Viability Trigger Event</p> | <ul style="list-style-type: none"> • Conversion on account of a Capital Trigger Event or a Non-Viability Trigger Event may occur on dates not previously contemplated by Holders, which may be disadvantageous in light of market conditions or their individual circumstances and may not coincide with their individual preference in terms of timing. • If Conversion occurs following a Capital Trigger Event or a Non-Viability Trigger Event, Holders are likely to receive Ordinary Shares that are worth significantly less than the Issue Price of CPS2. • In cases where Bendigo and Adelaide Bank is prevented from Converting CPS2 for any reason (within five Business Days after the Capital Trigger Conversion Date or the Non-Viability Conversion Date (as applicable)), the CPS2 which should have been Converted will be Written Off. This means that certain rights attached to the CPS2 will be amended to approximate the Ordinary Share rights which the Holder would have had if the relevant CPS2 had Converted into Ordinary Shares. | <p>Section 6.1.15</p> |
| <p>Conversion on a Change of Control Event</p> | <ul style="list-style-type: none"> • CPS2 may be affected by merger and acquisition activity, including the possibility of being acquired by, or merged with, another company or group of companies, potentially resulting in a change of control. • Where a Change of Control Event occurs, Bendigo and Adelaide Bank is required, subject to satisfaction of certain conditions, to Convert all CPS2. Conversion may therefore occur on dates not previously contemplated by Holders, which may be disadvantageous in light of market conditions or their individual circumstances and may not coincide with their individual preference in terms of timing. | <p>Section 6.1.16</p> |

| Topic | Summary | Further information |
|--|--|---------------------|
| Restrictions on rights and ranking on a winding-up of Bendigo and Adelaide Bank | <ul style="list-style-type: none"> • In a winding-up of Bendigo and Adelaide Bank, if CPS2 have not otherwise been Converted or Written Off, CPS2 rank ahead of Ordinary Shares, equally and without preference with other CPS2, equally with Equal Ranking Instruments, but behind the claims of all creditors of Bendigo and Adelaide Bank, including depositors, other than creditors who are expressed to rank equally with CPS2 in a winding up. • If there is a shortfall of funds on a winding-up of Bendigo and Adelaide Bank to pay all amounts ranking higher than and equally with CPS2, Holders will lose all or some of their investment. | Section 6.1.17 |
| Implications of an Approved NOHC Event | <ul style="list-style-type: none"> • Where an Approved NOHC Event occurs and certain other conditions are satisfied, the Approved NOHC Event will not trigger Conversion of CPS2 but will instead allow Bendigo and Adelaide Bank to make amendments to the CPS2 Terms to substitute the acquirer of Bendigo and Adelaide Bank as the issuer of the ordinary shares to be issued on Conversion. • The likelihood of Bendigo and Adelaide Bank having sufficient available funds to enable Dividends to be paid on CPS2 and the likelihood that Holders will receive their claims in full on a winding up will depend on the structure of the acquirer and the circumstances surrounding the substitution of that acquirer. | Section 6.1.23 |
| Risks associated with Bendigo and Adelaide Bank generally | <ul style="list-style-type: none"> • Key risks associated with an investment in Bendigo and Adelaide Bank and the business of the Bendigo and Adelaide Bank Group generally are set out at Section 6.2. | Section 6.2 |
| 1.5 The Offer | | |
| When is the Offer Period? | <ul style="list-style-type: none"> • The Offer opens on Thursday, 11 September 2014. • The Reinvestment Offer, Securityholder Offer and General Offer close at 5:00pm on Friday, 3 October 2014. • The Broker Firm Offer closes at 10:00am on Thursday, 9 October 2014 (except for Applications in respect of Reinvested SPS which close at 5:00pm on Friday, 3 October 2014). • The Institutional Offer was conducted under the Bookbuild which occurred on Monday, 8 September 2014. | Section 4.3.1 |
| Is there a minimum amount to be raised? | <ul style="list-style-type: none"> • No. The Offer is for the issue of CPS2 to raise \$250 million with the ability to raise more or less. | Section 2.1.2 |
| Is the Offer underwritten? | <ul style="list-style-type: none"> • No. | Section 8.6 |

| Topic | Summary | Further information |
|--|---|--------------------------------------|
| <p>What is the purpose of the Offer and how will the expenses of the Offer be paid?</p> | <ul style="list-style-type: none"> • The Offer is being made as part of Bendigo and Adelaide Bank’s ongoing capital management strategy, with CPS2 being eligible Additional Tier 1 Capital. • The CPS2 proceeds will be used to fund the redemption of SPS and for Bendigo and Adelaide Bank’s general corporate purposes. • Bendigo and Adelaide Bank may also use a proportion of the CPS2 proceeds to fund the redemption of existing Bendigo and Adelaide Bank Preference Shares (“BPS”). Under the BPS Terms, the first potential date on which BPS may be redeemed is the fixed exchange date of 15 June 2015. This option of redemption operates as an alternative to Bendigo and Adelaide Bank’s other rights of exchange under the BPS Terms, and Bendigo and Adelaide Bank has made no decision in relation to any of those rights. • The total expenses of the Offer will be paid out of the proceeds of the Offer. | <p>Sections 2.1.4, 5.3.2 and 9.3</p> |
| <p>What is the impact of the Offer on Bendigo and Adelaide Bank</p> | <ul style="list-style-type: none"> • See Section 5.3.2 for pro forma information on the impact of the Offer on Bendigo and Adelaide Bank. | <p>Section 5.3.2</p> |
| <p>What is the structure of the Offer?</p> | <p>The Offer consists of:</p> <ul style="list-style-type: none"> • a Reinvestment Offer to Eligible SPS Holders – being registered holders of SPS with a registered address in Australia at 7:00pm on Tuesday, 2 September 2014; • a Securityholder Offer to Eligible Securityholders – being registered holders of Ordinary Shares, CPS, BPS or Capital Notes with a registered address in Australia at 7:00pm on Tuesday, 2 September 2014; • a Broker Firm Offer to Broker Firm Applicants including Eligible SPS Holders – being Australian resident retail clients of a Syndicate Broker; • an Institutional Offer to Institutional Investors – being certain Institutional Investors invited by the Joint Lead Managers to participate in the Offer; and • a General Offer to members of the general public who are Australian residents. | <p>Section 4.1</p> |
| <p>When do I apply?</p> | <ul style="list-style-type: none"> • The key dates for the Offer are summarised on page 3. • Applications will only be accepted during the Offer Period. It is possible that the Offer will close early, so if you wish to apply for CPS2 you are encouraged to lodge your Application promptly after the Opening Date. | <p>Section 4.3.1</p> |
| <p>How can I apply?</p> | <ul style="list-style-type: none"> • Broker Firm Applicants should contact their Syndicate Broker. • General Applicants should complete an electronic or paper copy of the Application Form and pay the Application Payment either electronically or (if they have completed the paper Application Form) by cheque or money order only. • Securityholder Applicants or SPS Holder Applicants should complete an electronic (if available) or paper copy of their personalised Application Form and pay the Application Payment (if applicable) either electronically or by cheque or money order. • The allocation policy is described in Section 4.5. | <p>Section 4.3.1</p> |

| Topic | Summary | Further information |
|--|---|--------------------------|
| Is there a minimum Application size? | <ul style="list-style-type: none"> • Applications must be: <ul style="list-style-type: none"> – for a minimum of 50 CPS2 (\$5,000); and – be in incremental multiples of 10 CPS2 (incremental multiples of at least \$1,000) if your Application is for more than 50 CPS2. • However, these requirements may not apply to Eligible SPS Holders in certain circumstances. See Section 4.3 for further details. | Sections 3.5.1 and 4.3.1 |
| Is brokerage, commission or stamp duty payable? | <ul style="list-style-type: none"> • No brokerage, commission or stamp duty is payable by you on your Application. You may be required to pay brokerage if you sell your CPS2 on ASX after CPS2 have been quoted on ASX. | Section 4.3.3 |
| What are the tax implications of investing in CPS2? | <ul style="list-style-type: none"> • A general description of the Australian taxation consequences of investing in CPS2 is set out in Section 7. | Section 7 |
| When will I receive confirmation that my Application has been successful? | <ul style="list-style-type: none"> • If you are an Applicant in the Reinvestment Offer, Broker Firm Offer, Securityholder Offer or General Offer, you will be able to call the CPS2 Information Line on 1300 722 018 (within Australia) or +61 3 9415 4814 (international) (Monday to Friday – 9:00am to 5:00pm) from Friday, 10 October 2014 to confirm your allocation. • Applicants under the Broker Firm Offer will also be able to confirm their allocation through the Syndicate Broker from whom they received their allocation. | |
| 1.6 Information for SPS holders | | |
| This Section 1.6 sets out information for current holders of SPS, who may be eligible to apply under the Reinvestment Offer to reinvest their SPS in CPS2. | | |
| What are SPS? | <ul style="list-style-type: none"> • SPS are step up preference shares issued by Adelaide Bank in 2004. • In November 2007, upon the merger of Bendigo Bank and Adelaide Bank, SPS became instruments of the merged entity. | Section 3.1.1 |
| What is happening to SPS? | <ul style="list-style-type: none"> • Under the SPS Terms, on the upcoming Step Up Date for SPS (being 10 October 2014), Bendigo and Adelaide Bank has the option to either convert SPS into Ordinary Shares or to buy back, cancel or redeem SPS for their face value of \$100. • On 8 September 2014, Bendigo and Adelaide Bank gave SPS holders an SPS Exchange Notice to redeem SPS for their face value (\$100) on 10 October 2014. | Section 3.1.2 |
| What is the Reinvestment Offer? | <ul style="list-style-type: none"> • Under the Reinvestment Offer, Eligible SPS Holders may elect for some or all of their SPS redemption proceeds (i.e. \$100 per SPS) to be applied to the Application Payment for CPS2. • Eligible SPS Holders do not need to submit a cash Application Payment to reinvest their SPS. • Eligible SPS Holders who participate in the Reinvestment Offer will have the SPS redemption price (i.e. \$100 per SPS) applied to the Application Payment for CPS2. • Eligible SPS Holders who participate in the Reinvestment Offer (including through the Broker Firm Offer) are guaranteed an Allocation of one CPS2 for every SPS they reinvest. • Eligible SPS Holders will also have the opportunity to apply for additional CPS2. | Section 3.1.3 |

| Topic | Summary | Further information |
|--|---|-------------------------|
| <p>What is the purpose of the Reinvestment Offer?</p> | <ul style="list-style-type: none"> The Reinvestment Offer will provide Eligible SPS Holders the opportunity to reinvest their SPS in CPS2 and maintain an ongoing investment in Bendigo and Adelaide Bank. | |
| <p>Who is eligible to participate in the Reinvestment Offer?</p> | <ul style="list-style-type: none"> The Reinvestment Offer is open to Eligible SPS Holders, namely persons who are: <ul style="list-style-type: none"> a registered holder of SPS at 7:00pm on Tuesday, 2 September 2014; shown on the SPS register as having an address in Australia; and not in the United States nor are acting as a nominee for a person in the United States; or any such other SPS holders as Bendigo and Adelaide Bank may determine in their discretion to be eligible. If you are an Eligible SPS Holder and elect for any SPS to be reinvested in CPS2 ("Reinvested SPS"), you are prohibited from dealing with those Reinvested SPS and must hold the number of Reinvested SPS until the Redemption Date of 10 October 2014. | Section 3.1.4 |
| <p>What are the options available to SPS holders?</p> | <ul style="list-style-type: none"> If you are an Eligible SPS Holder, in addition to reinvesting your SPS in CPS2, you have a number of other choices which are set out in Section 3.3. If you are an Eligible SPS Holder you may wish to: <ul style="list-style-type: none"> reinvest all of your SPS in CPS2; reinvest some, but not all, of your SPS in CPS2; apply for additional CPS2; take no action. If you choose this option, Bendigo and Adelaide Bank will redeem your SPS for their face value (\$100) on 10 October 2014; or sell SPS on market through your broker. Ineligible SPS holders are limited to the choices set out in Section 3.3.2. | Section 3.3 |
| <p>If I elect to participate in the Reinvestment Offer, what dividends will I receive on SPS?</p> | <ul style="list-style-type: none"> Holders of SPS as at 24 September 2014 (being the record date for the SPS Dividend) will receive, subject to certain conditions to payment under the SPS Terms being satisfied, a final SPS Dividend of \$0.78 per SPS on 10 October 2014, irrespective of whether they have elected to participate in the Reinvestment Offer (being the dividend accrued at 3.09% per annum between 10 July 2014 and 9 October 2014 calculated in accordance with the SPS Terms). The SPS Dividend is expected to be fully franked. The conditions to payment of the SPS Dividend include the Directors exercising their discretion to declare the payment of the SPS Dividend and the dividend payment test, which requires that the dividend payment not exceed distributable profits in accordance with the SPS Terms, being satisfied on the dividend payment date. The SPS Dividend cannot be reinvested in CPS2. | Section 3.1.5 and 3.1.6 |

| Topic | Summary | Further information |
|---|---|-----------------------------|
| <p>What are the risks associated with participating in the Reinvestment Offer?</p> | <ul style="list-style-type: none"> • If you are an Eligible SPS Holder and you apply under the Reinvestment Offer, you may receive an allocation of CPS2 and as such, you will be subject to the risks associated with an investment in CPS2 and in Bendigo and Adelaide Bank, many of which are outside the control of Bendigo and Adelaide Bank and its Directors. • These risks should be considered before you apply under the Reinvestment Offer. • An example of such risks are the risks that a Capital Trigger Event or a Non-Viability Trigger Event may occur in respect of CPS2. CPS2 are required by the Prudential Standards to have certain loss absorption features which were not a feature of, and did not apply to, SPS. See Section 2.6 for further information on Conversion on account of a Capital Trigger Event or a Non-Viability Trigger Event. • The Reinvestment Offer is not a simple rollover into a similar investment. SPS and CPS2 have different benefits and risks, which must be evaluated separately. | <p>Sections 3.4 and 6.1</p> |
| <p>Is there a minimum Application size under the Reinvestment Offer?</p> | <ul style="list-style-type: none"> • If you are an Eligible SPS Holder and own 50 SPS or less, you must apply to reinvest all your SPS in CPS2 if you wish to participate in the Reinvestment Offer. • If you are an Eligible SPS Holder and own more than 50 SPS, you must apply for a minimum number of 50 CPS2 (\$5,000) if you wish to participate in the Reinvestment Offer. • In any event, you are entitled to apply for the same number of CPS2 as the number of SPS you hold. • You may wish to apply for additional CPS2 other than through Reinvested SPS – but you would have to make an Application Payment for those additional CPS2. • If you wish to apply for additional CPS2, you must apply for a minimum of 50 CPS2 (\$5,000), in addition to any Reinvested SPS. Applications for additional CPS2 must result in your additional CPS2 application to be in multiples of 10 CPS2 (\$1,000). | <p>Section 3.5.1</p> |
| <p>What happens to my SPS if I do not participate in the Reinvestment Offer?</p> | <ul style="list-style-type: none"> • On 8 September 2014, Bendigo and Adelaide Bank gave SPS holders an SPS Exchange Notice to redeem SPS for their face value (\$100) on 10 October 2014. • This means that: <ul style="list-style-type: none"> – SPS are expected to cease trading on ASX on 30 September 2014; – you will receive the face value for each SPS you hold on 10 October 2014; and – you will receive a final SPS Dividend on 10 October 2014 (subject to holding the SPS on 24 September 2014, being the record date for the SPS Dividend). | <p>Section 3.3.1</p> |
| <p>What are the tax implications of having my SPS redeemed?</p> | <ul style="list-style-type: none"> • You should obtain your own tax advice regarding the implications of the redemption of your SPS, having regard to your individual circumstances. • A general description of the Australian taxation consequences for SPS holders upon the redemption of their SPS is set out in Section 7. | <p>Section 7</p> |

| Topic | Summary | Further information |
|--|--|---------------------|
| Where can I find more information about the Reinvestment Offer? | <ul style="list-style-type: none"> If you have any questions in relation to the Reinvestment Offer, please call the CPS2 Information Line on 1300 722 018 (within Australia) or +61 3 9415 4814 (international) (Monday to Friday – 9:00am to 5:00pm) or visit www.BendigoCPS2offer.com.au. | |
| 1.7 What you need to do | | |
| Read this Prospectus in full | <ul style="list-style-type: none"> Read this Prospectus in full, paying particular attention to the: <ul style="list-style-type: none"> – important notices on the inside front cover; – key features of CPS2 in Section 1; – further information about CPS2 in Section 2; – information about Bendigo and Adelaide Bank in Section 5; – investment risks in Section 6; and – CPS2 Terms in Appendix A. | |
| Consider and consult | <ul style="list-style-type: none"> Consider all risks and other information about CPS2 in light of your particular investment objectives and circumstances. Consult your financial adviser or other professional adviser if you are uncertain as to whether you should apply for CPS2. | |
| Complete and submit your Application Form | <ul style="list-style-type: none"> If you have decided to apply for CPS2, you need to apply pursuant to an Application Form attached to or accompanying this Prospectus, including any online Application Form. The Prospectus and Application Forms will be available during the Offer Period. The Application process varies depending on whether you are an Applicant under the Reinvestment Offer, Securityholder Offer, General Offer, Broker Firm Offer or Institutional Offer – see Section 4 for full details. | |
| 1.8 More information | | |
| More information | <p>If, after you have read this Prospectus, you have any questions regarding the Offer, please contact your financial adviser or other professional adviser.</p> <p>If you are an Eligible SPS Holder, Eligible Securityholder or General Applicant and have any questions on how to apply for CPS2, please call the CPS2 Information Line on 1300 722 018 (within Australia) or +61 3 9415 4814 (international) (Monday to Friday – 9:00am to 5:00pm) or visit www.BendigoCPS2offer.com.au.</p> <p>If you are a Broker Firm Applicant and have any questions on how to apply for CPS2, you should contact your Syndicate Broker.</p> | |

2. About CPS2

This Section is designed to provide information about CPS2.

Where indicated, more detailed information is provided in other sections.

| Topic | Summary | Where to find more information |
|--|--|--|
| 2.1 General | | |
| 2.1.1 – What are CPS2? | <ul style="list-style-type: none"> CPS2 are fully paid convertible preference shares in the capital of Bendigo and Adelaide Bank (the “Issuer”). They are issued, and may be Redeemed, Converted or Resold, by the Issuer, according to the CPS2 Terms. | Clause 1.1 of the CPS2 Terms |
| 2.1.2 – What is the size of the Offer? | <ul style="list-style-type: none"> The Offer is for the issue of CPS2 to raise \$250 million with the ability to raise more or less. | |
| 2.1.3 – What amount required to pay? | <ul style="list-style-type: none"> \$100 per CPS2. Applications must be for a minimum of 50 CPS2 (\$5,000). If your Application is for more than 50 CPS2, then you must apply in incremental multiples of 10 CPS2 – that is, for incremental multiples of at least \$1,000. These restrictions do not apply to Eligible SPS Holders in certain circumstances. | Clause 1.2 of the CPS2 Terms and Section 4.3.1 |
| 2.1.4 – What is the purpose of the Offer? | <ul style="list-style-type: none"> The Offer is being made as part of Bendigo and Adelaide Bank’s ongoing capital management strategy, with CPS2 being eligible Additional Tier 1 Capital. The CPS2 proceeds will be used to fund the redemption of SPS and for Bendigo and Adelaide Bank’s general corporate purposes. Bendigo and Adelaide Bank may also use a proportion of the CPS2 proceeds to fund the redemption of BPS. Under the BPS Terms, the first potential date on which BPS may be redeemed is the fixed exchange date of 15 June 2015. This option of redemption operates as an alternative to Bendigo and Adelaide Bank’s other rights of exchange under the BPS Terms, and Bendigo and Adelaide Bank has made no decision in relation to any of those rights. The Board of Bendigo and Adelaide Bank may decide to undertake a redemption of BPS if it is considered to be in the best interests of Bendigo and Adelaide Bank, and subject to APRA’s prior written approval. This may depend, among other things, on Bendigo and Adelaide Bank’s capital position, conditions in domestic and international markets and changes in the prudential regulation of Bendigo and Adelaide Bank. | |


| Topic | Summary | Where to find more information |
|--|---|--|
| 2.1.5 – What is the term of CPS2? | <ul style="list-style-type: none"> • CPS2 are perpetual and do not have a fixed maturity date. • Subject to APRA's prior written approval, Bendigo and Adelaide Bank may elect to Exchange some or all CPS2 on 30 November 2020. • On the Scheduled Mandatory Conversion Date, being 30 November 2022, Holders will receive Ordinary Shares on Conversion of the CPS2 (subject to the Mandatory Conversion Conditions being satisfied and unless CPS2 are otherwise Exchanged earlier). • Bendigo and Adelaide Bank must also Convert or Write-off CPS2 if a Capital Trigger Event or a Non-Viability Trigger Event occurs. Such Conversion is not subject to the Mandatory Conversion Conditions and can occur at any time. See Section 2.6.7 for what happens if Conversion cannot occur following a Capital Trigger Event or a Non-Viability Trigger Event. • There are other limited circumstances where CPS2 may be Exchanged and CPS2 must be converted following a Change of Control Event subject to certain conditions. | Clauses 1.1, 4, 5, 6 and 7 of the CPS2 Terms |
| 2.1.6 – Will CPS2 be quoted on ASX? | <ul style="list-style-type: none"> • Bendigo and Adelaide Bank has applied for CPS2 to be quoted on ASX and CPS2 are expected to trade under ASX code "BENPE". | Section 4.6.1 |
| 2.1.7 – Will CPS2 be rated? | <ul style="list-style-type: none"> • Bendigo and Adelaide Bank has not sought a credit rating for CPS2. | |
| 2.1.8 – Are CPS2 guaranteed by the Australian Government? | <ul style="list-style-type: none"> • No. CPS2 are not guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction. CPS2 are not deposit liabilities of the Issuer, are not protected accounts for the purposes of the depositor protection provisions in Division 2 of Part II of the Banking Act or of the Financial Claims Scheme established under Division 2AA of Part II of the Banking Act. | Clause 1.1 of the CPS2 Terms |
| 2.1.9 – Are CPS2 secured? | <ul style="list-style-type: none"> • CPS2 are not secured against any asset of Bendigo and Adelaide Bank. | Clause 11.5 of the CPS2 Terms |

| Topic | Summary | | | | |
|--|---|--|--|---|---|
| 2.1.10 – Comparison of CPS2 with certain other Bendigo and Adelaide Bank Additional Tier 1 capital securities | | BEN CPS2 | BEN CPS | BEN SPS | BEN BPS |
| | Legal form | Preference share | Preference share | Preference share | Preference share |
| | ASX Code | Expected to trade under “BENPE” | BENPD | BENPC | BENPB |
| | Issue Price | \$100 per CPS2 | \$100 per CPS | \$100 per SPS | \$100 per BPS |
| | Amount to be issued/ currently on issue | \$250 million, with the ability to raise more or less | \$269 million | \$100 million | \$90 million |
| | Margin above the relevant bank bill rate | 3.20% above the 180 day bank bill rate | 5.00% above the 180 day bank bill rate | 1.75% up to the step up date and then 2.75% thereafter above the 90 day bank bill rate | 1.50% above the 90 day bank bill rate |
| | Nature of dividends | <ul style="list-style-type: none"> • Floating rate • Semi-annual • Frankable • Discretionary • Non-cumulative | <ul style="list-style-type: none"> • Floating rate • Semi-annual • Frankable • Discretionary • Non-cumulative | <ul style="list-style-type: none"> • Floating rate • Quarterly • Frankable • Discretionary • Non-cumulative | <ul style="list-style-type: none"> • Floating rate • Quarterly • Frankable • Discretionary • Non-cumulative |
| | Rights if dividends not fully franked | Gross up | Gross up | Gross up | Gross up |
| | Payment tests for dividends | Yes | Yes | Yes | Yes |
| | Dividend restriction if dividends not paid | Yes, however only applies to dividends on Ordinary Shares until and including the next Dividend Payment Date | Yes, however only applies to dividends on Ordinary Shares until and including the next Dividend Payment Date | Yes, applying to all equal and junior ranking instruments and in place until four consecutive SPS dividends have been paid in full (or an amount equal to preceding four dividends has been paid) | Yes, applying to all equal and junior ranking instruments and in place until four consecutive BPS dividends have been paid in full (or an amount equal to preceding four dividends has been paid) |
| | Scheduled Mandatory Conversion Date | 30 November 2022 | 13 December 2019 | N/A | N/A |
| | Conversion discount | 1.0% | 2.5% | 2.5% | 2.5% |
| | Reset/Step-up Date | N/A | N/A | 10 October 2014 | 15 June 2015 |
| Capital Trigger Event and Non-Viability Trigger Event | CPS2 must Convert if a Capital Trigger Event or a Non-Viability Trigger Event occurs. If Conversion is prevented for any reason the CPS2 would be Written Off | CPS must Convert if a Capital Trigger Event or a Non-Viability Trigger Event occurs. If Conversion is prevented for any reason the CPS would be written down in accordance with the terms of BEN CPS | None | None | |

| Topic | Summary | | | | |
|--|--|---|---|--|--|
| 2.1.10 – Comparison of CPS2 with certain other Bendigo and Adelaide Bank Additional Tier 1 capital securities (continued) | | BEN CPS2 | BEN CPS | BEN SPS | BEN BPS |
| | Exchange | By Bendigo and Adelaide Bank all or some CPS2 on 30 November 2020 or after the occurrence of certain events. No early exchange rights for Holders but Bendigo and Adelaide Bank must (subject to certain conditions) Convert on a Mandatory Conversion Date or following a Change of Control Event | By Bendigo and Adelaide Bank all or some CPS on 13 December 2017 or after the occurrence of certain events. No early exchange rights for Holders but Bendigo and Adelaide Bank must (subject to certain conditions) Convert on a Mandatory Conversion Date or following a Change of Control Event | By Bendigo and Adelaide Bank, all or some SPS on a step-up date, or all SPS after the occurrence of certain events. No exchange rights for holders | By Bendigo and Adelaide Bank, all or some BPS on a reset date, or all BPS after the occurrence of certain events. No exchange rights for holders |
| | Exchange method | Conversion, redemption or resale (or a combination thereof) | Conversion, redemption or a combination of conversion and redemption | | |
| | CPS2 Rights in a winding-up | <ul style="list-style-type: none"> • Ahead of Ordinary Shares • Equally amongst CPS2, CPS, SPS and BPS and any other Equal Ranking Instruments • Behind the claims of all creditors of Bendigo and Adelaide Bank, including depositors, other than creditors who are expressed to rank equally with CPS2 in a winding up • CPS2 Holders' rights are subject to any requirement for Conversion due to a Capital Trigger Event or a Non-Viability Trigger Event | | | |
| | Voting rights | No right to vote at general meetings of holders of Ordinary Shares, except in limited circumstances | | | |
| | Capital classification on issue | Additional Tier 1 Capital | Residual Tier 1 Capital on issue and Additional Tier 1 Capital under Basel III | Residual Tier 1 Capital | Residual Tier 1 Capital |
| Issue Date | 10 October 2014 | 1 November 2012 | Issued by Adelaide Bank on 30 September 2004 and became the instruments of the merged Bendigo and Adelaide Bank entity on 21 November 2007 | 6 May 2005 | |

| Topic | Summary | Where to find more information |
|--|--|--------------------------------|
| 2.2 Regulatory treatment of CPS2 | | |
| 2.2.1 – Who is APRA? | <ul style="list-style-type: none"> The Australian Prudential Regulation Authority (“APRA”) is the prudential regulator of the Australian financial services industry. APRA oversees banks, credit unions, building societies, general insurance and reinsurance companies, life insurance companies, friendly societies, and most members of the superannuation industry. | Section 5.4.1 |
| 2.2.2 – What is regulatory capital? | <ul style="list-style-type: none"> Any business requires capital to support its income generating activities in its chosen industry. Capital is the cornerstone of an Authorised Deposit-taking Institution’s (“ADI”) financial strength. It supports an ADI’s operations by providing a buffer to absorb unanticipated losses from its activities and, in the event of problems, assists the ADI to continue to operate in a sound and viable manner while problems are addressed or resolved. APRA’s regulatory capital prudential standards aim to ensure that ADIs like Bendigo and Adelaide Bank, maintain adequate capital to support the risks associated with their activities. APRA has detailed guidelines and restrictions on the types of capital instruments that are permitted to form the capital base. The types of capital deemed eligible for inclusion in the capital base are referred to as regulatory capital. APRA classifies an ADI’s regulatory capital into two tiers for its supervisory purposes – referred to as Tier 1 Capital and Tier 2 Capital. Tier 1 Capital is generally considered a higher quality capital than Tier 2 Capital for prudential purposes. For these purposes the quality of capital is assessed by reference to features such as longevity and availability to absorb losses incurred by the ADI and so reflects a greater level of risk from an investor perspective. | Section 5.4.1 |
| 2.2.3 – What is Tier 1 Capital? | <ul style="list-style-type: none"> Tier 1 Capital is comprised of: <ul style="list-style-type: none"> Common Equity Tier 1 Capital; and Additional Tier 1 Capital. Common Equity Tier 1 Capital is recognised as the highest quality component of capital. Common Equity Tier 1 Capital for ADIs will comprise paid-up ordinary shares, retained earnings, other disclosed reserves permitted for inclusion by APRA and certain other items permitted by APRA less regulatory adjustments applied in the calculation of Common Equity Tier 1 Capital. The non-common equity components of Tier 1 Capital which do not satisfy all of the criteria for inclusion in Common Equity Tier 1 Capital are referred to as Additional Tier 1 Capital. These instruments must be able to absorb losses on a going-concern basis, and can be classified as either equity or liability instruments for accounting purposes. Additional Tier 1 Capital ranks behind the claims of depositors and other more senior creditors in a winding up and provides fully discretionary capital distributions. Additional Tier 1 Capital must be the most subordinated instrument issued by Bendigo and Adelaide Bank other than Ordinary Shares. | Section 5.4.3 |
| 2.2.4 – What is the regulatory treatment of CPS2? | <ul style="list-style-type: none"> APRA has confirmed that the CPS2 will be eligible for inclusion as Additional Tier 1 Capital as defined by APRA from time to time. | Section 5.4.3 |

| Topic | Summary | Where to find more information | | | | | | | | | | | | | | |
|--|---|---|-----------------|-------------|-----------------|-------|--|------------------------------------|-----------------|------------------------------|--------|-------|--|--|------------------|-------------------------------------|
| <p>2.3 Dividends</p> | | | | | | | | | | | | | | | | |
| <p>CPS2 are expected to pay semi-annual Dividends, which are expected to be fully franked.</p> <p>A Dividend will be paid only if the Directors of Bendigo and Adelaide Bank resolve to pay it and if other conditions (summarised below) are met.</p> <p>The Dividend Rate used to calculate Dividends payable on CPS2 is based on a floating rate (i.e. it will fluctuate), which is equal to the sum of a market reference rate (the Bank Bill Rate), plus a fixed Margin of 3.20%, adjusted for Bendigo and Adelaide Bank's tax rate.</p> <p>If a Dividend is not paid, Holders have no right to receive that Dividend at any later time. However (subject to certain exceptions), Bendigo and Adelaide Bank will not be entitled to declare or pay dividends on Ordinary Shares until and including the next Dividend Payment Date.</p> | | | | | | | | | | | | | | | | |
| <p>2.3.1 – What are Dividends?</p> | <ul style="list-style-type: none"> • Dividends on CPS2 are preferred, discretionary, non-cumulative floating rate payments and are subject to certain Dividend Payment Tests. • Dividends in Australian Dollars are scheduled to be paid semi-annually in arrears on the Dividend Payment Dates, subject to the Dividend Payment Tests. • Holders are expected to receive Dividends which have been fully franked. The value and availability of franking credits to a Holder will depend on the Holder's particular tax circumstances. Holders will not receive the benefit of the franking credits at the time the Dividend is paid, but only as an offset to the income tax payable by the Holder for the year of income in which the Dividend is paid. • If any Dividend payment is not fully franked, the amount of it would be increased to compensate for the unfranked amount. This increased Dividend will also be subject to the Dividend Payment Tests. • Dividends are non-cumulative. If all or any part of a Dividend is not paid on a Dividend Payment Date, Holders have no claim or entitlement in respect of non-payment and no right to receive that Dividend at any later time. | <p>Clauses 3.2, 3.3, 3.4, 3.5 and 20.2 of the CPS Terms</p> | | | | | | | | | | | | | | |
| <p>2.3.2 – How will the Dividend Rate be calculated?</p> | <ul style="list-style-type: none"> • The Dividend Rate (expressed as a percentage per annum) for each semi-annual Dividend will be calculated using the following formula: $\text{Dividend Rate} = (\text{Bank Bill Rate} + \text{Margin}) \times (1 - \text{Tax Rate})$ where: <ul style="list-style-type: none"> – Bank Bill Rate is the 180-day BBSW rate on the first Business Day of the relevant Dividend Period; – Margin is 3.20%; and – Tax Rate (expressed as a decimal) is the Australian corporate tax rate applicable to the franking account of Bendigo and Adelaide Bank at the relevant Dividend Payment Date. As an example, assuming the Bank Bill Rate for the relevant Dividend Period is 2.65% per annum and the Tax Rate is 30%, and given the Margin is 3.20%, then if the Dividend is fully franked the Dividend Rate for that Dividend Period would be calculated as follows: <table border="0" style="width: 100%; margin-top: 10px;"> <tr> <td style="width: 60%;">Bank Bill Rate</td> <td style="text-align: right;">2.65% per annum</td> </tr> <tr> <td>Plus Margin</td> <td style="text-align: right;">3.20% per annum</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>Equivalent unfranked Dividend Rate</td> <td style="text-align: right;">5.85% per annum</td> </tr> <tr> <td>Multiplied by (1 – Tax Rate)</td> <td style="text-align: right;">× 0.70</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>Indicative fully franked Dividend Rate =</td> <td style="text-align: right;">4.095% per annum</td> </tr> </table> | Bank Bill Rate | 2.65% per annum | Plus Margin | 3.20% per annum | <hr/> | | Equivalent unfranked Dividend Rate | 5.85% per annum | Multiplied by (1 – Tax Rate) | × 0.70 | <hr/> | | Indicative fully franked Dividend Rate = | 4.095% per annum | <p>Clause 3.1 of the CPS2 Terms</p> |
| Bank Bill Rate | 2.65% per annum | | | | | | | | | | | | | | | |
| Plus Margin | 3.20% per annum | | | | | | | | | | | | | | | |
| <hr/> | | | | | | | | | | | | | | | | |
| Equivalent unfranked Dividend Rate | 5.85% per annum | | | | | | | | | | | | | | | |
| Multiplied by (1 – Tax Rate) | × 0.70 | | | | | | | | | | | | | | | |
| <hr/> | | | | | | | | | | | | | | | | |
| Indicative fully franked Dividend Rate = | 4.095% per annum | | | | | | | | | | | | | | | |

| Topic | Summary | Where to find more information |
|---|---|-------------------------------------|
| <p>2.3.3 – What is the Bank Bill Rate?</p> | <ul style="list-style-type: none"> • The Bank Bill Rate is the average mid-rate for bills of a term of 180 days (“BBSW”) which is displayed on Thomson Reuters page BBSW (or any page that replaces that page) on the first Business Day of each relevant Dividend Period, subject to certain alternative methods of calculation if there is a manifest error in the calculation of the rate or if the rate is not displayed. • Bendigo and Adelaide Bank will announce the relevant Bank Bill Rate to ASX at the commencement of each relevant Dividend Period. • The BBSW rate is one of the interest rate benchmarks published daily by the Australian Financial Markets Association and appearing on information services such as Thomson Reuters page BBSW. BBSW rates provide references for the pricing, rate-setting and valuation of Australian dollar financial securities. This rate changes to reflect the supply and demand within the cash market. • The graph below illustrates the movement in BBSW over the last 10 years. The BBSW rate on 3 September 2014 was 2.65% per annum.  <p>Source: IRESS. Note: IRESS has not consented to the use of this data in the Prospectus</p> <ul style="list-style-type: none"> • The above graph is for illustrative purposes only and does not indicate, guarantee or forecast the actual Bank Bill Rate. The actual Bank Bill Rate for the first and subsequent Dividend Periods may be higher or lower than the rates in the above graph. | <p>Clause 3.1 of the CPS2 Terms</p> |

| Topic | Summary | Where to find more information | | | | | | | | | | | | |
|---|---|---|------------------|-------------------------------|------------|---|-------|----------------|-------|-------|--|---|----------|-------------------------------------|
| <p>2.3.4 – How will the Dividend be calculated for each Dividend Period?</p> | <ul style="list-style-type: none"> Dividends scheduled to be paid on each Dividend Payment Date will be calculated using the following formula: $\frac{\\$100 \times \text{Dividend Rate} \times N}{365}$ <p>where:</p> <ul style="list-style-type: none"> Dividend Rate means the rate (expressed as a percentage per annum) calculated according to the formula set out in Section 2.3.2; and N means the number of days in the Dividend Period calculated as set out in the CPS2 Terms. <p>Following the formula above, if the Dividend Rate was 4.095% per annum, then the Dividend on each CPS2 for the relevant Dividend Period (if the Dividend Period was 182 days) would be calculated as follows:</p> <table border="0"> <tr> <td>Indicative fully franked Dividend Rate</td> <td>4.095% per annum</td> </tr> <tr> <td>Multiplied by the Issue Price</td> <td>× \$100.00</td> </tr> <tr> <td>Multiplied by the number of days in the Dividend Period</td> <td>× 182</td> </tr> <tr> <td>Divided by 365</td> <td>÷ 365</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>Indicative fully franked Dividend payment for the relevant Dividend Period per CPS2</td> <td>\$2.0419</td> </tr> </table> <p>The above example is for illustrative purposes only and does not indicate, guarantee or forecast the actual Dividend payment for any Dividend Period. Actual Dividend payments may be higher or lower than this example. The Dividend Rate for the first Dividend Period will be set on the Issue Date and will include the Margin of 3.20%.</p> Bendigo and Adelaide Bank's current policy is that Dividends will be paid in Australian dollars by cheque, unless the Holder nominates direct credit into nominated Australian financial institution accounts (excluding credit card accounts), for Holders with a registered address in Australia. | Indicative fully franked Dividend Rate | 4.095% per annum | Multiplied by the Issue Price | × \$100.00 | Multiplied by the number of days in the Dividend Period | × 182 | Divided by 365 | ÷ 365 | <hr/> | | Indicative fully franked Dividend payment for the relevant Dividend Period per CPS2 | \$2.0419 | <p>Clause 3.1 of the CPS2 Terms</p> |
| Indicative fully franked Dividend Rate | 4.095% per annum | | | | | | | | | | | | | |
| Multiplied by the Issue Price | × \$100.00 | | | | | | | | | | | | | |
| Multiplied by the number of days in the Dividend Period | × 182 | | | | | | | | | | | | | |
| Divided by 365 | ÷ 365 | | | | | | | | | | | | | |
| <hr/> | | | | | | | | | | | | | | |
| Indicative fully franked Dividend payment for the relevant Dividend Period per CPS2 | \$2.0419 | | | | | | | | | | | | | |
| <p>2.3.5 – What is the impact of franking credits?</p> | <ul style="list-style-type: none"> Dividends are expected to be fully franked and accordingly, Holders are expected to receive a combination of cash Dividends and franking credits. The franking credits represent a Holder's share of tax paid by Bendigo and Adelaide Bank on the profits from which the cash Dividend is paid. If the potential value of the franking credits is taken into account in full, the indicative fully franked Dividend Rate of 4.095% per annum in the example in Section 2.3.2 would be equivalent to an unfranked dividend rate of approximately 5.85% per annum. However, Holders should be aware that the potential value of any franking credits does not accrue at the same time as the receipt of any cash Dividend. Holders should also be aware that the ability to use the franking credits, either as an offset to a tax liability or by claiming a refund after the end of the income year, will depend on the individual tax position of each Holder. If any Dividend payment is not fully franked, then the amount of it would be increased to compensate for the unfranked amount. This increased Dividend will also be subject to the Dividend Payment Tests. Holders should refer to the Australian taxation summary in Section 7 and seek professional advice in relation to their tax position. | <p>Clause 3.2 of the CPS2 Terms and Section 7</p> | | | | | | | | | | | | |

| Topic | Summary | Where to find more information |
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| 2.3.6 – When are the Dividend Payment Dates? | <ul style="list-style-type: none"> • The first Dividend Payment Date is 30 November 2014.⁵ • Subsequent Dividend Payment Dates are 30 May and 30 November each year. • If any of these dates is not a Business Day, then the Dividend Payment Date will be the next Business Day. | Clause 3.5 of the CPS2 Terms |
| 2.3.7 – What are the Dividend Payment Tests? | <ul style="list-style-type: none"> • Dividends may not always be paid. The payment of each Dividend is subject to the following Dividend Payment Tests being satisfied: <ul style="list-style-type: none"> – the Directors, at their absolute discretion, resolving to pay the Dividend on the relevant Dividend Payment Date; – the payment of the Dividend not resulting in a breach of Bendigo and Adelaide Bank’s Prudential Capital Requirements (on a Level 1 basis) or of Bendigo and Adelaide Bank Group’s Prudential Capital Requirements (on a Level 2 basis) under the then current Prudential Standards as they apply to Bendigo and Adelaide Bank and/or the Bank Group at the time of the payment; – paying the Dividend not resulting in Bendigo and Adelaide Bank becoming, or being likely to become, insolvent for the purposes of the Corporations Act; and – APRA not otherwise objecting to the Dividend being paid on the Dividend Payment Date. • Bendigo and Adelaide Bank notes that the Treasury, a Department of the Australian Government, has released an exposure draft in relation to a change in the dividend test contained in the current Corporations Act. The new position reflected in the “Corporations Legislation Amendment (Deregulatory and other Measures) Bill 2014” proposes to replace the current assets and liabilities test with a solvency test. If this law is enacted, it will change the circumstances in which a dividend may be paid. The CPS2 Terms, however, will not require any amendment as solvency is already one of the conditions to payment of a Dividend on CPS2. | Clause 3.3 of the CPS2 Terms |
| 2.3.8 – What is the Dividend Restriction and when will it apply? | <ul style="list-style-type: none"> • If for any reason a Dividend has not been paid on a Dividend Payment Date (“Relevant Dividend Payment Date”), Bendigo and Adelaide Bank must not, without the approval of a Special Resolution, until and including the next Dividend Payment Date: <ul style="list-style-type: none"> – declare or pay a dividend on Ordinary Shares; or – buy-back or reduce capital on Ordinary Shares, unless the Dividend is paid in full within three Business Days of the relevant Dividend Payment Date. There are certain exceptions to this Dividend Restriction. • The CPS2 Terms contain no events of default and accordingly, failure to pay a Dividend when scheduled will not constitute an event of default. | Clauses 3.4(c), 3.7, 3.8 and 12.5 of the CPS2 Terms |

5. The first Dividend Payment Date of 30 November 2014 is not a Business Day. Accordingly the first Dividend is expected to be paid on the next Business Day, being 1 December 2014.

| Topic | Summary | Where to find more information |
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| 2.4 Optional Exchange by Bendigo and Adelaide Bank | | |
| <p>Bendigo and Adelaide Bank may (subject to APRA's prior written approval) elect to Exchange CPS2 on 30 November 2020 or on the occurrence of certain events. Exchange means a CPS2 is Converted into Ordinary Shares worth approximately \$101.01 or Redeemed or Resold for \$100. Some methods of Exchange are not available for some events and may only be used if certain requirements are satisfied.</p> <p>For any such Exchange to occur, certain conditions (summarised below) need to be satisfied and APRA's prior written approval is required.</p> <p>Further, if Conversion is elected by Bendigo and Adelaide Bank as the Exchange Method, there are conditions to an optional Conversion which are designed to ensure that Holders receive approximately \$101.01 worth of Ordinary Shares for each CPS2 they hold, and that Holders receive Ordinary Shares that are capable of being sold on ASX.</p> <p> Holders should not expect that the requirements for Exchange will be satisfied or that APRA will give its approval to any Exchange. Holders do not have a right to request Exchange.</p> | | |
| 2.4.1 – When may Bendigo and Adelaide Bank choose to Exchange CPS2? | <ul style="list-style-type: none"> • Bendigo and Adelaide Bank may choose to Exchange: <ul style="list-style-type: none"> – all or some CPS2 following the occurrence of a Tax Event or a Regulatory Event; – all (but not some only) CPS2 following the occurrence of an Acquisition Event; or – all or some CPS2 on the Optional Exchange Date. • Exchange means: <ul style="list-style-type: none"> – Bendigo and Adelaide Bank Converts CPS2 into a variable number of Ordinary Shares with a value based on the VWAP during a period, usually 20 Business Days, before the Exchange Date;⁶ – Bendigo and Adelaide Bank Redeems CPS2 for \$100 per CPS2; or – Bendigo and Adelaide Bank Resells CPS2 for \$100 per CPS2. • Bendigo and Adelaide Bank's right to elect to Exchange all or some CPS2 is subject to APRA's prior written approval and is restricted in the circumstances described further in Sections 2.4.5, 2.4.6, 2.4.7 and 2.4.8 below. • Holders should not expect that APRA will give its approval to any Exchange. | Clauses 6, 8, 9, 10 and 20.2 of the CPS2 Terms |
| 2.4.2 – When is the Optional Exchange Date? | <ul style="list-style-type: none"> • The Optional Exchange Date is 30 November 2020. | Clause 20.2 of the CPS2 Terms |
| 2.4.3 – What is a Tax Event, Regulatory Event or Acquisition Event? | <ul style="list-style-type: none"> • A summary of these events is as follows: <ul style="list-style-type: none"> – a Tax Event will occur when Bendigo and Adelaide Bank determines, after receiving advice from a reputable legal counsel or other tax adviser in Australia experienced in such matters, that as a result of a Change of Law (which Bendigo and Adelaide Bank did not expect at the time of issue of CPS2), there is a more than insubstantial risk which the Directors determine to be unacceptable that: <ul style="list-style-type: none"> • any Dividend would not be frankable; • there would be a more than insignificant increase in Bendigo and Adelaide Bank's costs in relation to CPS2 being on issue; or • where a NOHC Event has occurred, Bendigo and Adelaide Bank would not be regarded as being a member of a tax consolidated group of which an Approved NOHC becomes the head company; | Clause 20.2 of the CPS2 Terms |

6. If Conversion occurs as a result of an Acquisition Event, the period for calculating the VWAP may be less than 20 Business Days before the Exchange Date.

| Topic | Summary | Where to find more information |
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| <p>2.4.3 – What is a Tax Event, Regulatory Event or Acquisition Event? <i>(continued)</i></p> | <ul style="list-style-type: none"> – a Regulatory Event will occur if: <ul style="list-style-type: none"> • Bendigo and Adelaide Bank receives legal advice that, as a result of any amendment to, clarification of or change in any law or regulation 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 (and which Bendigo and Adelaide Bank does not expect, as at the Issue Date, may come into effect), additional requirements would be imposed on Bendigo and Adelaide Bank in relation to CPS2 which the Directors determine to be unacceptable; or • the Directors determine that, as a consequence of an amendment to, clarification of or change in a law or regulation or an 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 (and which Bendigo and Adelaide Bank does not expect, as at the Issue Date, may come into effect) Bendigo and Adelaide Bank is not or will not be entitled to treat some or all CPS2 as Additional Tier 1 Capital; and – an Acquisition Event will occur if: <ul style="list-style-type: none"> • a takeover bid is made to acquire Bendigo and Adelaide Bank’s Ordinary Shares and the offer is, or becomes, unconditional and the bidder has a relevant interest in more than 50% of the Ordinary Shares on issue or a majority of Directors recommend acceptance of the offer (without the need that all regulatory approvals necessary for the acquisition have been obtained); or • a court orders the holding of meetings to approve a scheme of arrangement with respect to Bendigo and Adelaide Bank which would result in a person having a relevant interest in more than 50% of the Ordinary Shares on issue after the scheme is implemented and certain other conditions are satisfied. <p>An Acquisition Event will not occur upon the proposed replacement of Bendigo and Adelaide Bank with an Approved NOHC.</p> | <p>Clause 20.2 of the CPS2 Terms</p> |

| Topic | Summary | Where to find more information |
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| <p>2.4.4 – What is a Change of Law?</p> | <ul style="list-style-type: none"> • A Change of Law means: <ul style="list-style-type: none"> – any amendment to, clarification of, or change (including any announcement of a change that is to be introduced), in the laws or treaties or any regulations of Australia or any political subdivision or taxing authority of Australia affecting taxation; – any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to adopt such procedures or regulations) (“Administrative Action”); – any amendment to, clarification of, or change in an Administrative Action that provides for a position that differs from the current generally accepted position; or – a challenge by the Australian Taxation Office in relation to (or in connection with) CPS2 which is asserted or threatened in writing, <p>where the amendment or change is announced or where the action or clarification or challenge occurs on or after the Issue Date and which Bendigo and Adelaide Bank did not expect as at the Issue Date.</p> | <p>See 20.2 of the CPS Terms (definition of ‘Tax Event’)</p> |
| <p>2.4.5 – What are the requirements for Conversion to be elected as the Exchange Method?</p> | <ul style="list-style-type: none"> • Bendigo and Adelaide Bank may not elect to Convert CPS2 under an Exchange if, on the second Business Day before the date on which Bendigo and Adelaide Bank would otherwise send a notice advising Holders that it wishes to Convert CPS2 (or, if trading in Ordinary Shares did not occur on that date, the last Business Day prior to that date on which trading in Ordinary Shares occurred) (“Non-Conversion Test Date”), an Optional Conversion Restriction applies. • Further, if Bendigo and Adelaide Bank has elected Conversion as the Exchange Method, Bendigo and Adelaide Bank may not proceed to Convert CPS2 if, on the Exchange Date, certain further Conversion restrictions apply. | <p>Clauses 6.5 and 6.6 of the CPS2 Terms</p> |
| <p>2.4.6 – What are the Optional Conversion Restrictions?</p> | <ul style="list-style-type: none"> • The Optional Conversion Restrictions are: <ul style="list-style-type: none"> – First Optional Conversion Restriction: the VWAP on the Non-Conversion Test Date is less than or equal to 22% of the Issue Date VWAP; and – Second Optional Conversion Restriction: a Delisting Event subsists on the Non-Conversion Test Date. | <p>Clause 6.5 of the CPS2 Terms</p> |
| <p>2.4.7 – What are the further Conversion restrictions on the Exchange Date?</p> | <ul style="list-style-type: none"> • The further Conversion restrictions on the Exchange Date are that the Second Mandatory Conversion Condition and the Third Mandatory Conversion Condition must both be satisfied in respect of the Exchange Date as if the Exchange Date were a possible Mandatory Conversion Date. • If the further Conversion restrictions on the Exchange Date apply, Bendigo and Adelaide Bank will notify Holders that the Conversion will be deferred until the next Dividend Payment Date on which the Mandatory Conversion Conditions would be satisfied if that Dividend Payment Date were a possible Mandatory Conversion Date (unless CPS2 are otherwise Exchanged in accordance with the CPS2 Terms). | <p>Clause 6.6 of the CPS2 Terms</p> |

| Topic | Summary | Where to find more information |
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| <p>2.4.8 – What are the requirements for Redemption or Resale to be elected as the Exchange Method?</p> | <ul style="list-style-type: none"> • Bendigo and Adelaide Bank may only elect Redemption or Resale as the Exchange Method in respect of an Exchange: <ul style="list-style-type: none"> – on 30 November 2020; or – in the case of a Tax Event or Regulatory Event; and provided in all cases where Bendigo and Adelaide Bank elects Redemption that APRA is satisfied that either: <ul style="list-style-type: none"> – CPS2 which are the subject of the Exchange are replaced concurrently or beforehand with a Relevant Preference Security of the same or better quality or Ordinary Shares and the replacement of CPS2 is done under conditions that are sustainable for Bendigo and Adelaide Bank’s income capacity; or – having regard to the projected capital position of the Bendigo and Adelaide Bank Group, Bendigo and Adelaide Bank does not have to replace the CPS2 the subject of the Redemption. | <p>Clause 6.4 of the CPS2 Terms</p> |
| <p>2.4.9 – What is a Resale?</p> | <ul style="list-style-type: none"> • Resale is a process by which Bendigo and Adelaide Bank may appoint one or more third parties (“Nominated Purchaser(s)”) to purchase some or all CPS2. • If Bendigo and Adelaide Bank appoints more than one Nominated Purchaser, some or all CPS2 may be purchased by any one or any combination of Nominated Purchasers, as determined by Bendigo and Adelaide Bank. | <p>Clause 10 of the CPS2 Terms</p> |
| <p>2.4.10 – What will I receive if my CPS2 are Resold?</p> | <ul style="list-style-type: none"> • Each Holder will receive the Resale Price, being \$100 per CPS2. The Resale Price is equivalent to the Issue Price. | <p>Clauses 10 and 20.2 of the CPS2 Terms</p> |
| <p>2.4.11 – When can a Resale occur?</p> | <ul style="list-style-type: none"> • A Resale can only occur on the Optional Exchange Date or following a Tax Event or a Regulatory Event. | <p>Clause 6.4 of the CPS2 Terms</p> |
| <p>2.4.12 – Are there any restrictions on the identity of the Nominated Purchaser(s) that Bendigo and Adelaide Bank can appoint?</p> | <ul style="list-style-type: none"> • Bendigo and Adelaide Bank may not appoint a person as a Nominated Purchaser unless that person: <ul style="list-style-type: none"> – has undertaken to acquire CPS2 from each Holder for the Resale Price on the Exchange Date and on the terms and conditions that Bendigo and Adelaide Bank reasonably determines for the benefit of each Holder; – has a long-term counterparty credit rating from one of Standard & Poor’s, Moody’s or Fitch of not less than investment grade; and – is not a Related Entity of Bendigo and Adelaide Bank. | <p>Clause 10.3 of the CPS2 Terms</p> |
| <p>2.4.13 – What if a Nominated Purchaser does not pay the Resale Price?</p> | <ul style="list-style-type: none"> • If a Nominated Purchaser does not pay the Resale Price to Holders on the Exchange Date when the Resale Price is due, the Resale to that Nominated Purchaser will not occur and Holders will continue to hold CPS2 in accordance with the CPS2 Terms until CPS2 are otherwise Converted, Redeemed or Resold. | <p>Clause 10.6 of the CPS2 Terms</p> |
| <p>2.4.14 – Can Holders request Exchange?</p> | <ul style="list-style-type: none"> • Holders do not have a right to request Exchange at any time or to determine the Exchange Method. | <p>Clause 6.7 of the CPS2 Terms</p> |

| Topic | Summary | Where to find more information |
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| 2.5 Mandatory Conversion on the Mandatory Conversion Date | | |
| <p>Bendigo and Adelaide Bank must Convert any CPS2 outstanding on 30 November 2022 into Ordinary Shares, provided that certain conditions (summarised below) are met (and failing that, on the next Dividend Payment Date on which those conditions are met). Those conditions may never be satisfied and accordingly CPS2 may never Convert into Ordinary Shares, except as a result of a Capital Trigger Event or a Non-Viability Trigger Event.</p> <p>The conditions to Mandatory Conversion and the associated Conversion calculations (as set out below) are designed to ensure that Holders receive approximately \$101.01 worth of Ordinary Shares for each CPS2 they hold, and that the Ordinary Shares they receive following the Conversion are capable of being sold on ASX.</p> | | |
| 2.5.1 – What is Mandatory Conversion? | <ul style="list-style-type: none"> • Holders will receive Ordinary Shares on Conversion of CPS2 on the Mandatory Conversion Date unless the Mandatory Conversion Conditions are not satisfied or CPS2 have otherwise been Exchanged.⁷ • Upon Conversion on a Mandatory Conversion Date, Holders will receive a variable number of Ordinary Shares with a value of approximately \$101.01 per CPS2 (based on the VWAP of Ordinary Shares sold on ASX during a period of 20 Business Days before the Mandatory Conversion Date). • The VWAP that is used to calculate the number of Ordinary Shares that Holders receive may differ from the market price of Ordinary Shares on or after the Mandatory Conversion Date. This means that the value of Ordinary Shares received may be more or less than approximately \$101.01 when they are issued or at any time after that. | Clauses 4.1, 4.2, 4.3, 8.1 and 20.2 of the CPS2 Terms |
| 2.5.2 – What are the consequences of Mandatory Conversion? | <ul style="list-style-type: none"> • As a result of any Conversion of CPS2 to Ordinary Shares, Holders will become holders of Ordinary Shares in the capital of Bendigo and Adelaide Bank, which will rank equally with existing Ordinary Shares from the date of issue. The value of any holding of Ordinary Shares may fluctuate from time to time. | Clauses 4 and 8.1 of the CPS2 Terms |
| 2.5.3 – When is the Mandatory Conversion Date? | <ul style="list-style-type: none"> • The Mandatory Conversion Date will be 30 November 2022, provided the Mandatory Conversion Conditions are satisfied on that date. • If any of the Mandatory Conversion Conditions are not satisfied on that date, then the Mandatory Conversion Date will be the next Dividend Payment Date on which they are satisfied. | Clause 4.2 of the CPS2 Terms |
| 2.5.4 – What is the purpose of the Mandatory Conversion Conditions? | <ul style="list-style-type: none"> • The First Mandatory Conversion Condition and the Second Mandatory Conversion Condition are intended to provide protection to Holders against receiving less than approximately \$101.01 worth of Ordinary Shares per CPS2 on Conversion (based on the VWAP during the 20 Business Days before the Mandatory Conversion Date). • The Third Mandatory Conversion Condition is intended to provide protection for Holders by making Conversion conditional on Holders receiving Ordinary Shares which are capable of being sold on ASX. | |

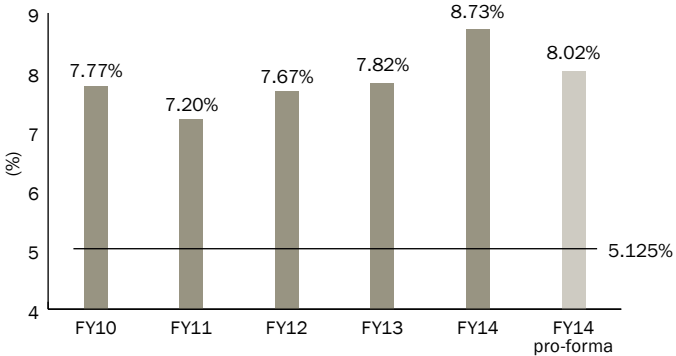
7. This includes a Conversion or Write Off required by APRA following the occurrence of a Capital Trigger Event or a Non-Viability Trigger Event.

| Topic | Summary | Where to find more information | | | | |
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| <p>2.5.5 – What are the Mandatory Conversion Conditions?</p> | <ul style="list-style-type: none"> • The Mandatory Conversion Conditions are as follows: <ul style="list-style-type: none"> – First Mandatory Conversion Condition: the VWAP of Ordinary Shares on the 25th Business Day before (but not including) a possible Mandatory Conversion Date (or, if trading in Ordinary Shares did not occur on that date, the last Business Day prior to that date on which trading in Ordinary Shares occurred) is greater than 55% of the Issue Date VWAP; – Second Mandatory Conversion Condition: the VWAP of Ordinary Shares during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) a possible Mandatory Conversion Date is greater than 50.51% of the Issue Date VWAP; and – Third Mandatory Conversion Condition: no Delisting Event applies to Ordinary Shares in respect of a possible Mandatory Conversion Date (broadly, a Delisting Event occurs when Bendigo and Adelaide Bank is delisted, its Ordinary Shares have ceased to be quoted on ASX, its Ordinary Shares have been suspended from trading for a certain period, or it is prevented by applicable law or order of any court or action of any government authority or any other reason from Converting CPS2). • Conversion on a Mandatory Conversion Date cannot occur unless all three Mandatory Conversion Conditions are satisfied. • The 'Issue Date VWAP' means, broadly, the VWAP of Ordinary Shares during the period of 20 Business Days on which trading in Ordinary Shares took place immediately prior to the Issue Date. • The following diagram sets out the timeframes that are relevant for testing whether Conversion will occur, using the Scheduled Mandatory Conversion Date (30 November 2022). These dates are indicative only and may change. <div style="text-align: center; margin-top: 20px;"> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%; padding: 5px;">25 October 2022 First Mandatory Conversion Condition: 25th Business Day before Scheduled Mandatory Conversion Date</td> <td style="width: 25%; padding: 5px;">2 November 2022 20th Business Day before Scheduled Mandatory Conversion Date</td> <td style="width: 25%; padding: 5px;">29 November 2022 Second Mandatory Conversion Condition: Last Business Day of VWAP Period (Business Day before Scheduled Mandatory Conversion Date)</td> <td style="width: 25%; padding: 5px;">30 November 2022 Scheduled Mandatory Conversion Date (subject to satisfaction of the Mandatory Conversion Conditions)</td> </tr> </table> <div style="margin: 10px 0;"> <div style="border: 1px solid black; background-color: #cccccc; padding: 2px; display: inline-block; margin-bottom: 5px;">20 Business Day VWAP Period</div> <div style="display: flex; justify-content: space-around; width: 100%; margin-top: 5px;"> <div style="width: 30%; border: 1px solid black; padding: 5px; background-color: #cccccc;"> First Mandatory Conversion Condition: The VWAP of Ordinary Shares on the 25th Business Day before a possible Mandatory Conversion Date is greater than 55% of the Issue Date VWAP </div> <div style="width: 35%; border: 1px solid black; padding: 5px; background-color: #cccccc;"> Second Mandatory Conversion Condition: The VWAP of Ordinary Shares during the period of 20 Business Days on which trading in Ordinary Share took place immediately preceding (but not including) a possible Mandatory Conversion Date is greater than 50.51% of the Issue Date VWAP </div> <div style="width: 25%; border: 1px solid black; padding: 5px; background-color: #cccccc;"> Third Mandatory Conversion Condition: No Delisting Event applies to Ordinary Shares in respect of a possible Mandatory Conversion Date </div> </div> </div> </div> | 25 October 2022 First Mandatory Conversion Condition: 25th Business Day before Scheduled Mandatory Conversion Date | 2 November 2022 20th Business Day before Scheduled Mandatory Conversion Date | 29 November 2022 Second Mandatory Conversion Condition: Last Business Day of VWAP Period (Business Day before Scheduled Mandatory Conversion Date) | 30 November 2022 Scheduled Mandatory Conversion Date (subject to satisfaction of the Mandatory Conversion Conditions) | <p>Clauses 4.3, 8.1 and 20.2 of the CPS2 Terms</p> |
| 25 October 2022 First Mandatory Conversion Condition: 25th Business Day before Scheduled Mandatory Conversion Date | 2 November 2022 20th Business Day before Scheduled Mandatory Conversion Date | 29 November 2022 Second Mandatory Conversion Condition: Last Business Day of VWAP Period (Business Day before Scheduled Mandatory Conversion Date) | 30 November 2022 Scheduled Mandatory Conversion Date (subject to satisfaction of the Mandatory Conversion Conditions) | | | |

| Topic | Summary | Where to find more information |
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| <p>2.5.6 – How many Ordinary Shares will a Holder receive on the Mandatory Conversion Date?</p> | <ul style="list-style-type: none"> • A Holder will receive on a Mandatory Conversion Date a number of Ordinary Shares per CPS2 (“Conversion Number”) calculated in accordance with the following formula: • Conversion Number = $\frac{\text{Issue Price}}{99\% \times \text{VWAP}}$ <p>subject always to the Conversion Number being no greater than the Maximum Conversion Number, where:</p> <ul style="list-style-type: none"> – VWAP is the volume weighted average price of Ordinary Shares during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) a possible Mandatory Conversion Date. <p>Illustrative example of Conversion</p> <p>As an example, in the case of the Scheduled Mandatory Conversion on 30 November 2022 and assuming the Issue Date VWAP was \$12.00, whether the Mandatory Conversion Conditions are satisfied and what is the number of Ordinary Shares received on Conversion would be determined as follows:</p> <p>Step 1 – passing the Mandatory Conversion Conditions – worked example</p> <p>The First Mandatory Conversion Condition</p> <ul style="list-style-type: none"> • This condition requires that the VWAP on the 25th Business Day immediately preceding, but not including, 30 November 2022 (assuming there is trading in Ordinary Shares on that day) is greater than 55% of the Issue Date VWAP, which would be \$6.60 (being 55% of \$12.00). • Assume the VWAP on 25 October 2022 (being the 25th Business Day immediately preceding, but not including, 30 November 2022) is \$15.00. • Since the VWAP on 25 October 2022 (\$15.00) is greater than \$6.60, the First Mandatory Conversion Condition is satisfied. <p>The Second Mandatory Conversion Condition</p> <ul style="list-style-type: none"> • This condition requires that the VWAP during the period of 20 Business Days in which trading in Ordinary Shares took place immediately preceding, but not including, 30 November 2022 is greater than 50.51% of the Issue Date VWAP, which would be \$6.06 (being 50.51% of \$12.00). • Assume the VWAP during the period from 2 November 2022 to 29 November 2022 (being the 20 Business Days in which trading in Ordinary Shares took place immediately preceding, but not including, 30 November 2022) is \$15.25. • Since the VWAP from 2 November 2022 to 29 November 2022 (\$15.25) is greater than \$6.06, the Second Mandatory Conversion Condition is satisfied. <p>The Third Mandatory Conversion Condition</p> <ul style="list-style-type: none"> • This condition requires that no Delisting Event applies on 30 November 2022. • Assume on 30 November 2022, Bendigo and Adelaide Bank is listed and its Ordinary Shares are quoted on ASX, trading in its Ordinary Shares has not been suspended during the five preceding Business Days and on that date no Inability Event subsists. • In these circumstances, the Third Mandatory Conversion Condition is satisfied. | <p>Clauses 4.2, 4.3, 8.1, and 20.2 of the CPS2 Terms</p> |

| Topic | Summary | Where to find more information |
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| <p>2.5.6 – How many Ordinary Shares will a Holder receive on the Mandatory Conversion Date? <i>(continued)</i></p> | <p>Step 2 – calculating the number of Ordinary Shares received on Conversion</p> <p>On 30 November 2022, Holders would be entitled to receive, in respect of each CPS2, the Conversion Number of Ordinary Shares determined as follows:</p> <p>Conversion Number = $\frac{\text{Issue Price}}{99\% \times \text{VWAP}}$</p> <ul style="list-style-type: none"> Assume the VWAP from 2 November 2022 to 29 November 2022 (being the 20 Business Days on which trading in Ordinary Shares took place immediately preceding 30 November 2022) is \$15.25. The Issue Price is \$100. The Conversion Number would be 6.6236 (being \$100 divided by (99% × \$15.25)). Assuming a Holder has 100 CPS2, the total number of Ordinary Shares to which they would be entitled would be 662 (i.e. 100 × 6.6236, which number is rounded down to disregard the fraction of the Ordinary Share). <p>In this example, the Conversion Number will not be impacted by the Maximum Conversion Number.</p> <ul style="list-style-type: none"> The Maximum Conversion Number is calculated in accordance with the following formula: <p>Maximum Conversion Number = $\frac{\text{Issue Price}}{(\text{Issue Date VWAP} \times \text{Relevant Fraction})}$</p> <p>where:</p> <ul style="list-style-type: none"> Relevant Fraction is 50% if Conversion occurs on a Mandatory Conversion Date and 20% in any other case including if a Capital Trigger Event or Non-Viability Trigger Event has occurred. <ul style="list-style-type: none"> If the Issue Date VWAP is \$12.00, the Maximum Conversion Number on the Mandatory Conversion Date will be 16.6667 (being \$100 divided by (\$12.00 × 50%)). As the Conversion Number is less than the Maximum Conversion Number, there will be no restriction on the number of Ordinary Shares a Holder receives. <p>This example is for illustrative purposes only. The figures in it are not forward-looking statements and do not indicate, guarantee or forecast the Issue Date VWAP or future VWAP or other price of Ordinary Shares.</p> | <p>Clauses 4.2, 4.3, 8.1, and 20.2 of the CPS2 Terms</p> |
| <p>2.5.7 – What adjustments to the Issue Date VWAP are made to account for changes to Bendigo and Adelaide Bank’s Ordinary Share capital?</p> | <ul style="list-style-type: none"> The Issue Date VWAP, and consequently the Maximum Conversion Number, will be adjusted to reflect a division, consolidation or reclassification of Ordinary Shares and pro rata bonus issues as set out in the CPS2 Terms (but not other transactions, including rights issues, which may affect the capital of Bendigo and Adelaide Bank). However, no adjustment shall be made to the Issue Date VWAP where such adjustment (rounded if applicable) would be less than one per cent of the Issue Date VWAP then in effect. | <p>Clauses 8.4 to 8.7 of the CPS2 Terms</p> |
| <p>2.5.8 – What can happen if the Mandatory Conversion Conditions are not satisfied?</p> | <ul style="list-style-type: none"> If any of the Mandatory Conversion Conditions are not satisfied on 30 November 2022, CPS2 will continue to be on issue and Conversion will be deferred until the first Dividend Payment Date on which all of the Mandatory Conversion Conditions are satisfied. | <p>Clauses 4.2 and 4.3 of the CPS2 Terms</p> |

| Topic | Summary | Where to find more information |
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| 2.6 Conversion on account of a Capital Trigger Event or a Non-Viability Trigger Event | | |
| <p>CPS2 have certain loss absorption features, which may be triggered where Bendigo and Adelaide Bank's Level 1 or Level 2 Common Equity Tier 1 Capital Ratios fall below the percentage ratios prescribed by APRA from time to time (i.e. a Capital Trigger Event) or Bendigo and Adelaide Bank encounters severe financial difficulty (i.e. a Non-Viability Trigger Event).</p> <p>These features are required to be included in the Terms of CPS2 for prudential regulatory purposes.</p> <p>If a Capital Trigger Event or a Non-Viability Trigger Event occurs, all or some CPS2 and other Relevant Preference Securities will need to be immediately Converted into Ordinary Shares and if such Conversion is not possible, the CPS2 which should have been Converted will be Written Off. This means that certain rights attached to the CPS2 will be amended to approximate the Ordinary Share rights which the Holder would have had if the relevant CPS2 had Converted into Ordinary Shares. No conditions need to be satisfied for such a Conversion or Write Off to occur.</p> <p>Depending on the market price of Ordinary Shares at the time the Capital Trigger Event or the Non-Viability Trigger Event occurs, Holders may receive less, or significantly less, than \$101.01 worth of Ordinary Shares per CPS2 and a Holder may suffer loss as a consequence.</p> <p>The following calculations are illustrative only and designed to demonstrate the potential number and value of Ordinary Shares that a Holder would receive on a Conversion where there is a Capital Trigger Event or a Non-Viability Trigger Event.</p> | | |
| 2.6.1 – Why does CPS2 include a Capital Trigger Event and a Non-Viability Trigger Event? | <ul style="list-style-type: none"> The inclusion of a Capital Trigger Event and a Non-Viability Trigger Event is an APRA regulatory requirement for CPS2 to be characterised as Additional Tier 1 Capital under APRA's Basel III Prudential Standards. | |
| 2.6.2 – What is a Capital Trigger Event? | <ul style="list-style-type: none"> A Capital Trigger Event occurs when Bendigo and Adelaide Bank determines, or APRA notifies Bendigo and Adelaide Bank in writing, that it believes that either or both of Bendigo and Adelaide Bank's Common Equity Tier 1 Capital Ratio or Bendigo and Adelaide Bank Group's Common Equity Tier 1 Capital Ratio is equal to or less than 5.125%. The Common Equity Tier 1 Capital Ratio is the ratio of Common Equity Tier 1 Capital to the risk weighted assets of Bendigo and Adelaide Bank and the Bendigo and Adelaide Bank Group, as prescribed by APRA. Common Equity Tier 1 Capital comprises the highest quality components of capital. Bendigo and Adelaide Bank's Common Equity Tier 1 Capital Ratio of 8.73% is well above the Capital Trigger Event level Common Equity Tier 1 Capital Ratio of 5.125% on a Level 1 and Level 2 basis. If the acquisition of Rural Finance Corporation of Victoria ("RFC") occurred on 30 June 2014 (it completed on 1 July 2014), the Common Equity Tier 1 Capital Ratio based on provisional accounting estimates would have been 8.02% on a pro-forma basis. A Common Equity Tier 1 Capital Ratio of 8.02% would imply \$993.5 million of Common Equity Tier 1 Capital above the Capital Trigger Event Common Equity Tier 1 Capital Ratio level of 5.125%. The graph below illustrates Bendigo and Adelaide Bank's historical Common Equity Tier 1 Capital Ratio under APRA's relevant Prudential Standards. See section 5.4.6 for further details. | Clause 5.2 of the CPS2 Terms |

| Topic | Summary | Where to find more information |
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| <p>2.6.2 – What is a Capital Trigger Event? <i>(continued)</i></p> | <p>Bendigo and Adelaide Bank’s Level 2 Common Equity Tier 1 Capital Ratio⁸</p>  <p>Note: 8.02% at FY14 is pro-forma for the RFC acquisition</p> <ul style="list-style-type: none"> Bendigo and Adelaide Bank gives no assurance as to what its Common Equity Tier 1 Capital Ratio will be at any time as it may be significantly impacted by unexpected events affecting its business, operations and financial condition. | <p>Clause 5.2 of the CPS2 Terms</p> |
| <p>2.6.3 – What is a Non-Viability Trigger Event?</p> | <ul style="list-style-type: none"> A Non-Viability Trigger Event occurs when APRA provides a written determination to Bendigo and Adelaide Bank that the conversion or write off of Relevant Preference Securities is necessary as without: <ul style="list-style-type: none"> that conversion or write off; or a public sector injection of capital into (or equivalent capital support with respect to) Bendigo and Adelaide Bank, APRA considers that Bendigo and Adelaide Bank would become non-viable. | <p>Clause 5.1 of the CPS2 Terms</p> |
| <p>2.6.4 – What does non-viable mean?</p> | <ul style="list-style-type: none"> APRA has not provided guidance as to how it would determine non-viability. Non-viability could be expected to include serious impairment of Bendigo and Adelaide Bank’s financial position and insolvency. However it is possible that APRA’s definition of non-viable may not necessarily be confined to solvency or capital measures and APRA’s position on these matters may change over time. As the occurrence of a Non-Viability Trigger Event is at the discretion of APRA, there can be no assurance given as to the factors and circumstances that might give rise to this event. APRA may publish further guidance on the parameters used to determine non-viability, however it is possible that it will not provide any further guidance and Bendigo and Adelaide Bank has no control over whether it will do so. | <p>Section 6.1.15.2</p> |

8. Bendigo and Adelaide Bank’s financial year denoted “FY” above, finishes on 30 June of each calendar year.

| Topic | Summary | Where to find more information |
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| <p>2.6.5 – When does Conversion on account of a Capital Trigger Event or a Non-Viability Trigger Event occur?</p> | <ul style="list-style-type: none"> • If a Capital Trigger Event or a Non-Viability Trigger Event occurs, Bendigo and Adelaide Bank must immediately convert to Ordinary Shares or write-off: <ul style="list-style-type: none"> – in the case of a Non-Viability Trigger Event where APRA deems a public sector injection of funds to be necessary, all (and not only some) Relevant Preference Securities; – in the case of any other Non-Viability Trigger Event, all Relevant Preference Securities or an amount of the Relevant Preference Securities that is sufficient in APRA's view to ensure that Bendigo and Adelaide Bank does not become non-viable; or – in the case of a Capital Trigger Event, all Relevant Preference Securities or an amount of the Relevant Preference Securities that is sufficient in APRA's view to ensure that the Level 1 Common Equity Tier 1 Capital Ratio and the Level 2 Common Equity Tier 1 Capital Ratio remain at a level above 5.125% as determined by Bendigo and Adelaide Bank for that ratio. • This may require Bendigo and Adelaide Bank to immediately, and irrevocably, Convert some or all of CPS2 into the Conversion Number of Ordinary Shares. • As at the date of this Prospectus there is one capital instrument of Bendigo and Adelaide Bank within the definition of Relevant Preference Securities, being CPS. Bendigo and Adelaide Bank has 2,688,703 CPS on issue, at an issue price of \$100 per respective security. Bendigo and Adelaide Bank has no obligation to maintain any Relevant Preference Securities and gives no assurance that it will do so. • The Capital Notes, BPS and SPS issued by Bendigo and Adelaide Bank are not Relevant Preference Securities and CPS2 would be expected to be required to be Converted upon the occurrence of a Capital Trigger Event or a Non-Viability Trigger Event without the Capital Notes, BPS and SPS being required to convert. • Conversion on the occurrence of a Capital Trigger Event or a Non-Viability Trigger Event is not subject to any Mandatory Conversion Condition being satisfied. • Conversion is immediate and from the Capital Trigger Conversion Date or the Non-Viability Conversion Date (as applicable) Bendigo and Adelaide Bank will treat Holders as having been issued the Conversion Number of Ordinary Shares. Bendigo and Adelaide Bank expects any ASX trades in CPS2 that have not settled on the date a Capital Trigger Event or a Non-Viability Trigger Event occurs will continue to settle in accordance with the normal ASX T+3 settlement, although Bendigo and Adelaide Bank expects the seller will be treated as having delivered, and the buyer will be treated as having acquired, the Conversion Number of Ordinary Shares into which CPS2 have been Converted as a result of the occurrence of the Capital Trigger Event or the Non-Viability Trigger Event. • Further, Bendigo and Adelaide Bank must make such decisions with respect to the identity of Holders whose CPS2 will Convert as at the Capital Trigger Conversion Date or the Non-Viability Conversion Date as may be necessary or desirable to ensure Conversion occurs in an orderly manner, including disregarding any transfers of CPS2 that have not been settled or registered at that time, provided that any such decision does not prevent, impede or delay the immediate Conversion of the relevant number of CPS2. | <p>Clauses 5.1, 5.2 and 5.3 of the CPS2 Terms</p> |

| Topic | Summary | Where to find more information |
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| <p>2.6.5 – When does Conversion on account of a Capital Trigger Event or a Non-Viability Trigger Event occur? (continued)</p> | <ul style="list-style-type: none"> Bendigo and Adelaide Bank must give Holders notice as soon as practicable after a Capital Trigger Event or a Non-Viability Trigger Event has occurred, including details of the amount of CPS2 Converted. <p>For the meaning of Relevant Preference Security please see Appendix B Glossary.</p> | <p>Clauses 5.1, 5.2 and 5.3 of the CPS2 Terms</p> |
| <p>2.6.6 – How many Ordinary Shares will Holders receive on the Capital Trigger Conversion Date or the Non-Viability Conversion Date?</p> | <ul style="list-style-type: none"> The number of Ordinary Shares a Holder will receive per CPS2 on account of a Capital Trigger Conversion or a Non-Viability Conversion is the Conversion Number (calculated as described below) but cannot be more than the Maximum Conversion Number. Since there are no conditions to a Capital Trigger Conversion or a Non-Viability Conversion, the number of Ordinary Shares a Holder is likely to receive on account of a Capital Trigger Conversion or a Non-Viability Conversion may be worth significantly less than approximately \$101.01 and a Holder may suffer a loss as a consequence. The Conversion Number in the event of a Capital Trigger Conversion or a Non-Viability Conversion is calculated in accordance with the following formula, subject to the Conversion Number being no greater than the Maximum Conversion Number: $\text{Conversion Number} = \frac{\text{Issue Price}}{99\% \times \text{VWAP}}$ <p>where:</p> <ul style="list-style-type: none"> VWAP is the volume weighted average price of Ordinary Shares during the period of five Business Days on which trading in Ordinary Shares occurred before the Capital Trigger Conversion Date or the Non-Viability Conversion Date (as applicable). <p>The Maximum Conversion Number is calculated as:</p> $\text{Maximum Conversion Number} = \frac{\text{Issue Price}}{(\text{Issue Date VWAP} \times \text{Relevant Fraction})}$ <p>Illustrative example of Conversion</p> <p>Step 1 – calculating the potential number of Ordinary Shares to be received on Conversion</p> <p>Assume that on 21 May 2018, a Capital Trigger Event or a Non-Viability Trigger Event occurs. Holders would be entitled to receive, in respect of each CPS2 being Converted, the Conversion Number of Ordinary Shares determined as follows:</p> $\text{Conversion Number} = \frac{\text{Issue Price}}{99\% \times \text{VWAP}}$ <ul style="list-style-type: none"> Assume the VWAP from 14 May 2018 to 18 May 2018 (being the five Business Days on which trading in Ordinary Shares took place immediately preceding 21 May 2018) is \$1.00. The Issue Price is \$100. The Conversion Number would be 101.01 (being \$100 divided by (99% × \$1.00)). Assuming a Holder has 100 CPS2, the total number of Ordinary Shares to which they would be entitled would be 10,101 (i.e. 100 × 101.01, which number is rounded down to disregard the fraction of the Ordinary Share). | <p>Clauses 5.1, 5.2, 5.3 and 8.1 of the CPS2 Terms</p> |

| Topic | Summary | Where to find more information |
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| <p>2.6.6 – How many Ordinary Shares will Holders receive on the Capital Trigger Conversion Date or the Non-Viability Conversion Date? <i>(continued)</i></p> | <p>Step 2 – calculating the maximum number of Ordinary Shares to be received on Conversion</p> <p>The Maximum Conversion Number is determined as:</p> $\text{Maximum Conversion Number} = \frac{\text{Issue Price}}{(\text{Issue Date VWAP} \times \text{Relevant Fraction})}$ <p>On the basis of the assumptions made in Step 1 above, and an Issue Date VWAP of \$12.00, the Maximum Conversion Number would be 41.67 (being \$100 divided by (\$12.00 × 20%).</p> <p>Step 3 – calculate the number of Ordinary Shares to be received</p> <p>Since the Conversion Number of 101.01 is greater than the Maximum Conversion Number of 41.67 the number of Ordinary Shares which the holder of 100 CPS2 would receive would be 4,167.</p> <p>The market value of the Ordinary Shares received (based on the VWAP assumed in this example) is \$4,167 which is considerably less than \$10,000 (which is the 100 CPS2 at the Issue Price of \$100 each).⁹</p> <ul style="list-style-type: none"> • The Maximum Conversion Number is described in Section 2.5.6 (as that number may be adjusted as described in Section 2.5.7). • Additionally, if on the occurrence of a Capital Trigger Event or a Non-Viability Trigger Event, only an amount (rather than all) of CPS2 and other Relevant Preference Securities are required to be Converted, Bendigo and Adelaide Bank must endeavour to treat Holders and holders of other Relevant Preference Securities on an approximately proportionate basis, but may discriminate to take account of the effect on marketable parcels, other logistical considerations and the need to effect Conversion immediately. | <p>Clauses 5.1, 5.2, 5.3 and 8.1 of the CPS2 Terms</p> |
| <p>2.6.7 – What happens if CPS2 cannot be Converted on the Capital Trigger Conversion Date or the Non-Viability Conversion Date?</p> | <ul style="list-style-type: none"> • If, following a Capital Trigger Event or a Non-Viability Trigger Event, Bendigo and Adelaide Bank is prevented for any reason from Converting CPS2 (within five Business Days after the Capital Trigger Conversion Date or the Non-Viability Conversion Date (as applicable)) (an “Inability Event”), those CPS2 will not be Converted but instead Written Off. • This means that Holders’ rights to dividends and returns of capital will be Written Off in accordance with the CPS2 Terms. • The rights attached to CPS2 in respect of Dividends and return of capital on and from 5:00pm on the fifth Business Day after the Capital Trigger Conversion Date or the Non-Viability Conversion Date (as applicable) will be as follows: <ul style="list-style-type: none"> – if a winding-up of Bendigo and Adelaide Bank occurs, instead of a claim for payment of \$100 out of the surplus available to Shareholders in a winding-up (plus the amount of any Dividend resolved to be paid but unpaid), a Holder’s claim is for the sum which would have been paid in respect of CPS2 out of the surplus available to Shareholders in a winding-up as if the CPS2 were the Conversion Number of Ordinary Shares; and | <p>Clauses 5.5(c), 8.14, 11.2 and 20.2 of the CPS2 Terms</p> |

9. The price at which Ordinary Shares may be sold may differ from the VWAP. The Ordinary Shares may not be listed or may not be able to be sold at prices representing their value based on the VWAP calculation or at all.

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| <p>2.6.7 – What happens if CPS2 cannot be Converted on the Capital Trigger Conversion Date or the Non-Viability Conversion Date? <i>(continued)</i></p> | <ul style="list-style-type: none"> – instead of the Dividends as described in Section 2.3 subject to certain conditions, if a dividend is paid on Ordinary Shares, a non-cumulative dividend is payable in respect of CPS2 in an amount determined as if CPS2 were a number of Ordinary Shares equal to the Conversion Number, <p>in each case with that Conversion Number being finally determined as if CPS2 had Converted on the Capital Trigger Conversion Date or the Non-Viability Conversion Date (and in any case not exceeding the Maximum Conversion Number).</p> <ul style="list-style-type: none"> • The laws under which an Inability Event may arise include laws relating to the insolvency, winding-up or other external administration of Bendigo and Adelaide Bank. Those laws and the grounds on which a court or government authority may make orders preventing the Conversion of CPS2, or other reasons which prevent Conversion, may change. | <p>Clauses 5.5(c), 8.14, 11.2 and 20.2 of the CPS2 Terms</p> |
| <p>2.7 Conversion on a Change of Control Event</p> | | |
| <p>Bendigo and Adelaide Bank is also required to Convert all (and not only some) CPS2 into Ordinary Shares where Bendigo and Adelaide Bank is taken over by way of a takeover bid or scheme of arrangement that meets certain requirements (which are described below).</p> <p>There are conditions to Conversion in these circumstances which are designed to ensure that Holders receive no less than approximately \$101.01 worth of Ordinary Shares for each CPS2 they hold, and that Holders receive Ordinary Shares that are capable of being sold on ASX.</p> <p>These conditions may never be satisfied and accordingly CPS2 may never Convert into Ordinary Shares.</p> | | |
| <p>2.7.1 – What is a Change of Control Event?</p> | <ul style="list-style-type: none"> • A Change of Control Event means: <ul style="list-style-type: none"> – either: <ul style="list-style-type: none"> • a takeover bid is made to acquire all or some Ordinary Shares and the offer is, or becomes, unconditional and: <ul style="list-style-type: none"> – the bidder has a relevant interest in more than 50% of the Ordinary Shares on issue; or – a majority of Directors recommend acceptance of the offer; or • a court approves a scheme of arrangement which, when implemented, will result in a person other than Bendigo and Adelaide Bank having a relevant interest in more than 50% of the Ordinary Shares on issue; and – in respect of a takeover bid, all regulatory approvals necessary for the acquisition to occur have been obtained; or – in respect of a scheme of arrangement, all conditions to the implementation of the scheme, including any necessary regulatory or securityholder approvals, have been satisfied or waived. <p>An Acquisition Event does not, and accordingly a Change of Control Event cannot, occur upon the proposed replacement of Bendigo and Adelaide Bank with an Approved NOHC – see Sections 2.9.5 and 2.9.6.</p> | <p>Clauses 7.2, 20.2 of the CPS2 Terms</p> |

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| <p>2.7.2 – What must Bendigo and Adelaide Bank do on the occurrence of a Change of Control Event?</p> | <ul style="list-style-type: none"> • If a Change of Control Event occurs, Bendigo and Adelaide Bank must (by giving a Change of Control Conversion Notice) Convert each CPS2 into a variable number of Ordinary Shares with a value of approximately \$101.01 (based on the VWAP during a period, usually 20 Business Days, before the Change of Control Conversion Date but a lesser period if trading in Ordinary Shares in the period after the Change of Control Event and before the Change of Control Conversion Date is less than 20 Business Days), provided certain conditions are satisfied. • If certain requirements for Conversion to occur (described in Section 2.7.3 below) have not been satisfied, Bendigo and Adelaide Bank will not be required to give a Change of Control Conversion Notice to Holders and will not be required to Convert CPS2 at that time. However, Bendigo and Adelaide Bank must Convert CPS2 on the next Dividend Payment Date in respect of which the conditions to Conversion are satisfied. | <p>Clauses 7.1, 7.2, 7.3, 7.4, 7.5 and 20.2 of the CPS2 Terms</p> |
| <p>2.7.3 – What are the requirements for Conversion to occur following a Change of Control Event?</p> | <ul style="list-style-type: none"> • The requirements for a Change of Control Conversion Notice to be given are the same as the Optional Conversion Restrictions that would apply if that notice were an Exchange Notice. | <p>Clauses 6.5, 7.2 and 7.4 of the CPS2 Terms</p> |
| <p>2.7.4 – What are the further Conversion restrictions on the Change of Control Date?</p> | <ul style="list-style-type: none"> • On the occurrence of a Change of Control Event, Bendigo and Adelaide Bank may not proceed to Convert CPS2 if, on the date on which Conversion is to occur (the “Change of Control Conversion Date”), certain further restrictions apply. • These Conversion restrictions on the Change of Control Conversion Date apply if the Second Mandatory Conversion Condition or the Third Mandatory Conversion Condition would not be satisfied in respect of the Change of Control Conversion Date if the Change of Control Conversion Date were a possible Mandatory Conversion Date. | <p>Clause 7.5 of the CPS2 Terms</p> |
| <p>2.7.5 – What happens if Conversion does not occur?</p> | <ul style="list-style-type: none"> • If Bendigo and Adelaide Bank is not required to give a Change of Control Conversion Notice or the further Conversion restrictions prevent Conversion, Bendigo and Adelaide Bank will give a new Change of Control Conversion Notice to provide for Conversion to occur on the next Dividend Payment Date, which is at least 25 Business Days after the date of that notice, unless the restrictions to Conversion apply. Conversion will not occur if the further Conversion restrictions apply on that date. This process will be repeated until Conversion occurs. | <p>Clause 7.5 of the CPS2 Terms</p> |
| <p>2.7.6 – What other obligations does Bendigo and Adelaide Bank have in connection with a takeover or scheme of arrangement?</p> | <ul style="list-style-type: none"> • On the occurrence of a recommended takeover or scheme of arrangement which would result in a Change of Control Event, if the Directors consider that Bendigo and Adelaide Bank will not be permitted to Exchange CPS2 or the Second Mandatory Conversion Condition or Third Mandatory Conversion Condition will not be satisfied, the Directors will use all reasonable endeavours to procure that equivalent takeover offers are made to Holders or that Holders are entitled to participate in the scheme of arrangement or a similar transaction. | <p>Clause 13 of the CPS2 Terms</p> |

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| 2.8 Set-off against other amount owed | | |
| 2.8.1 – Do Holders have a right of set-off? | <ul style="list-style-type: none"> Neither Bendigo and Adelaide Bank nor any Holder is entitled to set-off any amounts due in respect of CPS2 against any amount of any nature (including but not limited to any amount due on a winding up of Bendigo and Adelaide Bank) owed by Bendigo and Adelaide Bank to the Holder or by the Holder to Bendigo and Adelaide Bank (as applicable). A Holder will have no offsetting rights or claims on Bendigo and Adelaide Bank if Bendigo and Adelaide Bank does not pay a Dividend when scheduled under the CPS2 Terms. | Clause 11.4 of the CPS2 Terms |
| 2.9 Other | | |
| 2.9.1 – How do CPS2 rank in relation to other Bendigo and Adelaide Bank instruments? | <ul style="list-style-type: none"> In a winding-up of Bendigo and Adelaide Bank, CPS2 rank for payment of \$100 (plus the amount of any Dividend resolved to be paid but unpaid) ahead of Ordinary Shares, equally and without preference with other CPS2, equally with Equal Ranking Instruments, but behind the claims of all creditors of Bendigo and Adelaide Bank, including depositors, other than creditors who are expressed to rank equally with CPS2 in a winding up. However, any return in a winding-up may be adversely affected if a Capital Trigger Event or a Non-Viability Trigger Event occurs because if that occurs all or some CPS2 will be required to be Converted or Written Off (see Section 2.6 – Conversion on account of a Capital Trigger Event or a Non-Viability Trigger Event). For the payment of Dividends, CPS2 rank ahead of Ordinary Shares, equally and without preference with other CPS2 and equally with all Equal Ranking Instruments that Bendigo and Adelaide Bank has or may issue under the Constitution with respect to payments of dividends otherwise than in a winding up and each other security and instrument that Bendigo and Adelaide Bank has or may issue that by their terms rank equally with respect to priority of payment of dividends, distributions or similar payments, otherwise than in a winding up. | Clauses 11.1 and 11.2 of the CPS2 Terms |
| 2.9.2 – Can Bendigo and Adelaide Bank issue further CPS2, preference shares or other instruments? | <ul style="list-style-type: none"> Bendigo and Adelaide Bank reserves the right to issue further preference shares (including further CPS2) or other instruments, or permit the conversion of shares to preference shares or other instruments, which rank behind, equal with or (to the maximum extent permitted by the Constitution) ahead of CPS2, whether in respect of dividends, returns of capital on a winding up of Bendigo and Adelaide Bank or otherwise. CPS2 do not confer on Holders any right to subscribe for new securities in Bendigo and Adelaide Bank or to participate in any bonus issues of shares in Bendigo and Adelaide Bank. | Clause 11.11 of the CPS2 Terms |

| Topic | Summary | Where to find more information |
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| <p>2.9.3 – What voting rights do CPS2 carry?</p> | <ul style="list-style-type: none"> • Holders generally do not have voting rights, except in the limited circumstances described in the CPS2 Terms, including but not limited to: <ul style="list-style-type: none"> – on any resolution during a period in which a Dividend or part of a Dividend remains unpaid; – on any resolution: <ul style="list-style-type: none"> • to reduce Bendigo and Adelaide Bank’s share capital, other than a resolution to approve a Redemption of CPS2; • that affects the rights attached to the CPS2; • to wind up Bendigo and Adelaide Bank; or • to dispose of the whole of Bendigo and Adelaide Bank’s property, business and undertaking; – on a resolution to approve the terms of a buy-back agreement, other than a resolution to approve a Redemption of CPS2; and – during a winding-up of Bendigo and Adelaide Bank. | <p>Clause 12 of the CPS2 Terms</p> |
| <p>2.9.4 – Can Bendigo and Adelaide Bank amend the CPS2 Terms?</p> | <ul style="list-style-type: none"> • Subject to complying with all applicable laws, and with APRA’s prior written approval where required, Bendigo and Adelaide Bank may amend the CPS2 Terms without the approval of Holders in certain circumstances. • This may include amendments which may affect the rights of Holders, including changes to dates or time periods necessary or desirable to facilitate a Mandatory Conversion, Capital Trigger Conversion, Non-Viability Conversion or Exchange or if, in Bendigo and Adelaide Bank’s opinion, they are not likely to be materially prejudicial to the interests of Holders as a whole. • Bendigo and Adelaide Bank may also, with APRA’s prior written approval where required, amend the CPS2 Terms if the amendment has been approved by a Special Resolution. • APRA’s prior written approval to amend the CPS2 Terms is required only where the amendment may affect the eligibility of CPS2 as a Relevant Preference Security. | <p>Clause 17 of the CPS2 Terms</p> |
| <p>2.9.5 – What is an Approved NOHC Event?</p> | <ul style="list-style-type: none"> • An Approved NOHC Event is broadly an event initiated by the Directors which would result in Bendigo and Adelaide Bank having an ultimate holding company which is a ‘non-operating holding company’ within the meaning of the Banking Act (“NOHC”) and where following the occurrence of that event: <ul style="list-style-type: none"> – the NOHC assumes all of Bendigo and Adelaide Bank’s obligations to Convert the CPS2 into ordinary shares in the NOHC; – the NOHC agrees to comply with the Dividend Restriction (with appropriate modifications); and – the ordinary shares of the NOHC are listed on ASX. | <p>Clauses 14 and 20.2 of the CPS2 Terms</p> |

| Topic | Summary | Where to find more information |
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| <p>2.9.6 – What happens when an Approved NOHC Event occurs?</p> | <ul style="list-style-type: none"> • If an Approved NOHC Event occurs, the CPS2 Terms may be amended to enable the substitution of the Approved NOHC as the issuer of ordinary shares on Conversion (including on the Mandatory Conversion Date). The Approved NOHC will use all reasonable endeavours to procure quotation on ASX of all these shares at the time of Conversion. • The occurrence of an Approved NOHC Event does not allow Bendigo and Adelaide Bank to elect to Exchange CPS2 nor does it entitle Holders to Exchange their CPS2. • Holders may not have any right to vote on an Approved NOHC Event. Where an Approved NOHC Event is accompanied by a transfer of assets from Bendigo and Adelaide Bank to the Approved NOHC or another subsidiary of the Approved NOHC, Bendigo and Adelaide Bank may as a result have reduced assets to meet the claims of its creditors and shareholders (including Holders). • After substituting an Approved NOHC as issuer of the Ordinary Shares on Conversion, but before Conversion, Holders continue to hold a preference share in Bendigo and Adelaide Bank which ranks for payment of dividends and in a winding-up of Bendigo and Adelaide Bank (as described in Section 2.9.1) and which is convertible into ordinary shares in the Approved NOHC in the same circumstances in which it would have otherwise been converted into Ordinary Shares in Bendigo and Adelaide Bank. | <p>Clauses 14 and 20.2 of the CPS2 Terms</p> |
| <p>2.9.7 – What if a Holder is not resident in Australia?</p> | <ul style="list-style-type: none"> • If the Register indicates that a Holder’s address is outside of Australia (or Bendigo and Adelaide Bank believes that a Holder may not be a resident of Australia) (such a Holder, a Foreign Holder) and that Foreign Holder’s CPS2 are to be Converted, Bendigo and Adelaide Bank is entitled in certain circumstances to issue the relevant Ordinary Shares to a nominee appointed by Bendigo and Adelaide Bank. • A Holder may also elect not to receive Ordinary Shares on Conversion in which case those shares will be issued to a nominee appointed by Bendigo and Adelaide Bank. • Any such nominee: <ul style="list-style-type: none"> – may not be Bendigo and Adelaide Bank or a member of the Bendigo and Adelaide Bank Group or a Related Entity of Bendigo and Adelaide Bank; and – will sell those Ordinary Shares and pay a cash amount equal to the net proceeds to the relevant Holder. • The issue of Ordinary Shares to that nominee satisfies Bendigo and Adelaide Bank’s obligations in connection with the Conversion and Bendigo and Adelaide Bank does not owe any duty in relation to the price or terms on which the Ordinary Shares are sold and has no liability for any loss suffered as a result of such sale. | <p>Clause 8.10 of the CPS2 Terms</p> |
| <p>2.9.8 – What are the taxation implications of investing in CPS2?</p> | <ul style="list-style-type: none"> • The taxation implications of investing in CPS2 will depend on an investor’s individual circumstances. Prospective investors should obtain their own taxation advice. | <p>Section 7</p> |

| Topic | Summary | Where to find more information |
|--|--|--------------------------------|
| 2.9.9 – Is brokerage, commission or stamp duty payable? | <ul style="list-style-type: none"> No brokerage, commission or stamp duty is payable on Applications for CPS2. Holders may have to pay brokerage on any subsequent transfer of CPS2 on ASX after quotation. | Section 4.3.3 |

Where can I get more information?

If you have any questions about the Offer or how to apply for CPS2 under the Reinvestment Offer, Securityholder Offer or General Offer, please call the Bendigo and Adelaide Bank Information Line on 1300 722 018 (within Australia) or +61 3 9415 4814 (International) (Monday to Friday – 9:00am to 5:00pm) or contact your broker or other professional adviser.

If you have any questions in relation to a Broker Firm Offer, please call your Syndicate Broker.

3. Details of the Reinvestment Offer

This Section provides information on Bendigo and Adelaide Bank's invitation to Eligible SPS Holders to reinvest their SPS in CPS2 and the options available to SPS holders.

3.1 Overview

3.1.1 What are SPS?

SPS are step up preference shares issued by Adelaide Bank in 2004. In November 2007, upon the merger of Bendigo Bank and Adelaide Bank, SPS became instruments of the merged entity. SPS trade on the ASX under the code "BENPC".

3.1.2 What is happening to SPS?

Under the SPS Terms, on the upcoming Step Up Date for SPS (being 10 October 2014), Bendigo and Adelaide Bank has the option to either convert SPS into Ordinary Shares or to buy back, cancel or redeem SPS for their face value of \$100.

On 8 September 2014, Bendigo and Adelaide Bank gave SPS holders an SPS Exchange Notice to redeem SPS for their face value of \$100 each on 10 October 2014. Bendigo and Adelaide Bank will use the proceeds raised from the CPS2 Offer to redeem SPS.

3.1.3 What is the Reinvestment Offer?

Eligible SPS Holders have the opportunity to reinvest their SPS in CPS2.

Under the Reinvestment Offer, Eligible SPS Holders may elect for some or all of their SPS redemption proceeds (i.e. \$100 per SPS) to be applied as an Application Payment for CPS2.

Eligible SPS Holders will not be required to make a separate Application Payment to the extent that SPS will be reinvested directly in CPS2. However, if additional CPS2 are applied for other than through Reinvested SPS, then an Application Payment in respect of the additional CPS2 applied for will be necessary. Eligible SPS Holders are guaranteed an Allocation of one CPS2 for every SPS they reinvest when they apply through the Reinvestment Offer (including through the Broker Firm Offer). In applying for CPS2 under the Reinvestment Offer, you irrevocably authorise Bendigo and Adelaide Bank to apply the proceeds of redemption of your SPS in paying the Application Payment for the CPS2 into which the SPS are being reinvested. You will not be entitled to receive payment on your Reinvested SPS except in this way, and so will not receive any cash payment in respect of the redemption of those Reinvested SPS.

Once you have submitted an application to reinvest your SPS, you will be taken to have agreed to a holding lock being placed on those SPS and accordingly will not be able to successfully deal with those SPS. However it is your obligation to ensure that you do not transfer those SPS and if you do sell part of your SPS holding prior to the Redemption Date, your application to reinvest your SPS will be adjusted down accordingly.

Eligible SPS Holders will receive a copy of this Prospectus with a personalised Reinvestment Application Form. Eligible SPS Holders have a number of other options, in addition to reinvesting SPS in CPS2, which are set out in further detail in Section 3.3.1.

3.1.4 Am I eligible to participate in the Reinvestment Offer?

The Reinvestment Offer is open to Eligible SPS Holders, namely persons who are:

- registered holders of SPS at 7:00pm on Tuesday, 2 September 2014;
- shown as having an address in Australia;
- not in the United States nor are acting as a nominee for a person in the United States,

or any such other SPS holders as Bendigo and Adelaide Bank may determine in its discretion to be eligible.

3.1.5 If I elect to participate in the Reinvestment Offer, what dividends will I receive on SPS?

Holders of SPS as at the SPS Dividend record date of 24 September 2014 (including SPS holders who elect to participate in the Reinvestment Offer) will receive a final SPS Dividend of \$0.78 per SPS on 10 October 2014. The payment of the SPS Dividend is subject to certain conditions to payment under the SPS Terms, including the Directors exercising their discretion to declare the payment of the dividend and the requirement that the dividend payment not exceed distributable profits in accordance with the SPS Terms, being satisfied on the dividend payment date.

The SPS Dividend will be paid on the Step Up Date, being 10 October 2014, for the period from (and including) 10 July 2014 to (but excluding) the Step Up Date. The SPS Dividend is \$0.78 per Reinvested SPS and is expected to be fully franked.

3.1.6 Can I elect to reinvest the SPS Dividend in CPS2?

No. The SPS Dividend will be paid to SPS holders as at the SPS Dividend record date of 24 September 2014 via direct credit or cheque on the Step Up Date, in accordance with your existing SPS payment instructions.

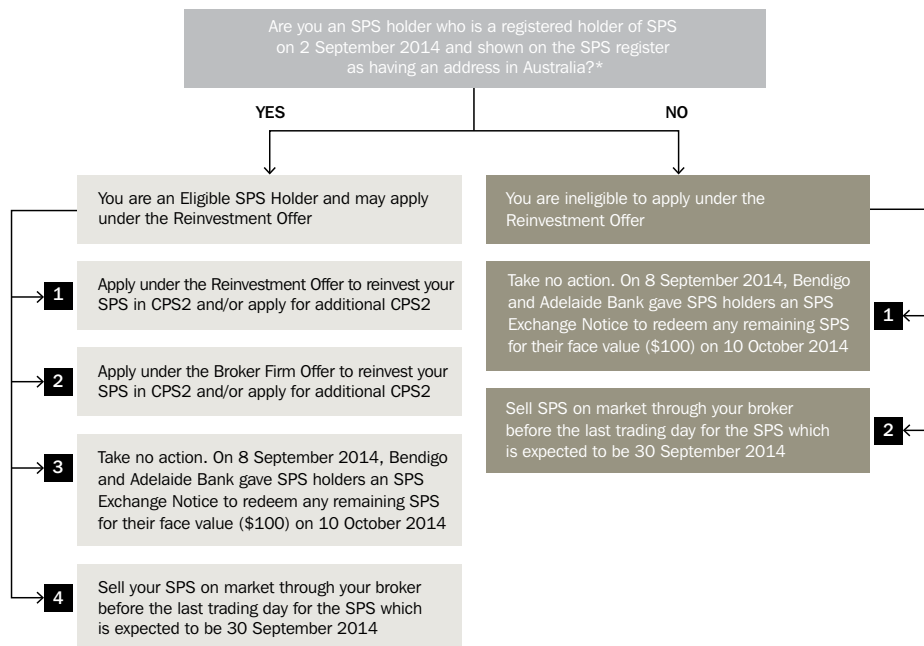
3.1.7 Will I receive a priority allocation of CPS2?

If you are an Eligible SPS Holder you will be guaranteed an Allocation of one CPS2 for every SPS you reinvest when you apply under the Reinvestment Offer (including through the Broker Firm Offer).

3.2 What is the difference between SPS and CPS2?

For a comparison of SPS and CPS2, please refer to the table in Section 2.1.10.

3.3 What are the options available to SPS holders?



If you are an Eligible SPS Holder and elect option 1 or 2 you must continue to hold the number of SPS you wish to reinvest on the Step Up Date.

* SPS holders must also not be in the United States or acting as a nominee for a person in the United States to be eligible to apply under the Reinvestment Offer.

3.3.1 What are the options available to Eligible SPS Holders?

| Option | Option |
|---|---|
| Option 1 – apply under the Reinvestment Offer for your SPS to be reinvested in CPS2 and/or apply for additional CPS2 | <ul style="list-style-type: none"> Under the Reinvestment Offer, Eligible SPS Holders will be guaranteed an Allocation of one CPS2 for every SPS reinvested. Unless Eligible SPS Holders apply for more CPS2 than the number of their SPS, Eligible SPS Holders will not be required to make a separate Application Payment as the SPS redemption proceeds will be applied to the CPS2 Application Payment (see Section 3.1.3). Once you have submitted an application to reinvest your SPS, you will be taken to have agreed to a holding lock being placed on those SPS and accordingly will not be able to successfully deal with those SPS. For instructions on how to apply, refer to Section 4.3.1. |

| Option | Option |
|---|--|
| <p>Option 1 – apply under the Reinvestment Offer for your SPS to be reinvested in CPS2 and/or apply for additional CPS2 <i>(continued)</i></p> | <p>Option A. Full reinvestment</p> <ul style="list-style-type: none"> • Eligible SPS Holders may apply to reinvest all of their SPS in CPS2. • To choose this option, Eligible SPS Holders must indicate “full reinvestment” on the personalised Application Form. • If an Eligible SPS Holder holds a greater or lesser number of SPS than shown on the personalised Application Form, and the Eligible SPS Holder selects the full reinvestment option, you will be taken to have applied for reinvestment of the lower of the number of SPS specified on the personalised Application Form and the number of SPS registered in their name. <p>Option B. Partial reinvestment</p> <ul style="list-style-type: none"> • Eligible SPS Holders may apply to have only some of their SPS reinvested in CPS2 provided that they own more than 50 SPS. • To choose this option, Eligible SPS Holders must specify the number of their SPS to be reinvested on the personalised Application Form. See Section 3.5.1 for further details on the minimum number that can be specified. • If an Eligible SPS Holder holds a lesser number of SPS than they elect to reinvest on their personalised Application Form, the Eligible SPS Holder will be taken to have applied for reinvestment of the lower of the number of SPS specified on the personalised Application Form and the number of SPS registered in their name. <p>Option C. Apply for additional CPS2</p> <ul style="list-style-type: none"> • Eligible SPS Holders may also apply for CPS2 other than through Reinvested SPS. • To choose this option, Eligible SPS Holders must specify the number of additional CPS2 they wish to apply for on the personalised Application Form. Eligible SPS Holders will receive a priority allocation of CPS2 applied for, over Eligible Securityholders and General Applicants. However, an Eligible SPS Holder’s Application for additional CPS2 may be scaled back if there is excess demand. • Eligible SPS Holders are required to enclose an Application Payment for the additional CPS2 applied for. • See Section 4.3 for further details on the minimum application size, how to make an Application Payment and other details on how to apply. |
| <p>Option 2 – apply under the Broker Firm Offer to reinvest your SPS in CPS2 and/or apply for additional CPS2</p> | <ul style="list-style-type: none"> • If you are an Eligible SPS Holder and are an Australian resident retail client of a Syndicate Broker, you may apply to reinvest your SPS in CPS2 under the Broker Firm Offer. • Under the Broker Firm Offer, Eligible SPS Holders will be guaranteed an Allocation of one CPS2 for every SPS held. • You may apply to reinvest all or some of your SPS in CPS2. You may also choose to apply for additional CPS2. • Eligible SPS Holders will not be required to make a separate Application Payment unless additional CPS2 are applied for. • Eligible SPS Holders should contact your Syndicate Broker for instructions on how to submit an Application Form and, if applicable, an Application Payment. |
| <p>Option 3 – take no action – your SPS will be redeemed for \$100 per SPS on 10 October 2014</p> | <ul style="list-style-type: none"> • Eligible SPS Holders are not required to participate in the Reinvestment Offer and as such are not required to take any action. • If you choose to take no action, in accordance with the SPS Exchange Notice given by Bendigo and Adelaide Bank on 8 September 2014, your outstanding SPS will be redeemed by Bendigo and Adelaide Bank for \$100 per SPS on 10 October 2014 and you will receive the face value (\$100) for each SPS that you hold at that date plus any SPS Dividend, subject to the SPS Terms. • Payments of the face value and any SPS Dividend will be made on the Step Up Date for SPS (being 10 October 2014). |

| Option | Option |
|---|--|
| Option 4 – sell your SPS on market through your broker | <ul style="list-style-type: none"> You may choose to sell your SPS on ASX through your broker at the prevailing market price. To choose this option, you should contact your broker before the last ASX trading day for SPS. The last ASX trading day for the SPS is expected to be 30 September 2014. Under this option, you may have to pay brokerage and may receive a price greater or less than the face value of \$100 per SPS. If you choose this option, you may not be entitled to receive the SPS Dividend on the SPS you sell. |

3.3.2 What are the options available to ineligible SPS holders?

SPS holders who have a registered address outside Australia or who are otherwise not an Eligible SPS Holder are ineligible to participate in the Reinvestment Offer¹⁰. In these circumstances, ineligible SPS holders are limited to the following options:

- sell SPS on market through your broker before the last ASX trading day for the SPS which is expected to be 30 September 2014; or
- take no action. On 8 September 2014, Bendigo and Adelaide Bank gave SPS holders an SPS Exchange Notice to redeem any remaining SPS for their face value of \$100 per SPS on 10 October 2014. SPS holders will also receive any SPS Dividend paid on the SPS. The face value (\$100) and any SPS final dividend will be paid via direct credit or cheque, in accordance with your payment instructions on the Step Up Date for SPS.

3.4 What are the risks associated with participating in the Reinvestment Offer?

If you are an Eligible SPS Holder and you apply under the Reinvestment Offer (including through the Broker Firm Offer), you may receive an allocation of CPS2. As such, you will be subject to the risks associated with an investment in CPS2 and in Bendigo and Adelaide Bank, many of which are outside the control of Bendigo and Adelaide Bank and its Directors. These risks are outlined in Section 1.4 and Section 6 and should be considered before you apply under the Reinvestment Offer.

An example of such risks are the risks that a Capital Trigger Event or a Non-Viability Trigger Event may occur in respect of CPS2. CPS2 are required by the Prudential Standards to have certain loss absorption features which were not a feature of, and did not apply to, SPS. See Section 2.6 for further information on Conversion on account of a Capital Trigger Event or a Non-Viability Trigger Event.

The Reinvestment Offer is not a simple rollover into a similar investment. SPS and CPS2 have different benefits and risks, which must be evaluated separately.

3.5 Further information about SPS and participating in the Reinvestment Offer

3.5.1 Do you need to apply for a minimum number of CPS2?

There is no minimum number of SPS that you must hold to be able to participate in the Reinvestment Offer.

If you are an Eligible SPS Holder and own 50 SPS or less, you must apply to reinvest all your SPS in CPS2 if you wish to participate in the Reinvestment Offer. If you are an Eligible SPS Holder and own more than 50 SPS, you must apply for a minimum number of 50 CPS2 (\$5,000). In any event, you are entitled to apply for the same number of CPS2 as the number of SPS you hold.

If you wish to apply for additional CPS2, you must apply for a minimum of 50 CPS2 (\$5,000), in addition to any Reinvested SPS. Applications for additional CPS2 must result in your additional CPS2 application to be in multiples of 10 CPS2 (\$1,000).

3.5.2 When will the remaining SPS be redeemed?

On 8 September 2014, Bendigo and Adelaide Bank gave an SPS Exchange Notice to SPS holders to redeem any remaining SPS for their face value (\$100) plus any SPS Dividend, subject to the SPS Terms, on the Step Up Date for SPS (being 10 October 2014). Payments of the face value and any SPS Dividend will be made on 10 October 2014, in accordance with your existing SPS payment instructions.

10. SPS holders who are in the United States or acting as a nominee for a person in the United States are also ineligible and cannot participate in the Reinvestment Offer.

3.5.3 What do you do if you have sold some of your SPS but wish to apply for CPS2?

If you hold fewer SPS than set out on your personalised Application Form, you may still reinvest your SPS in CPS2. If you wish to apply for more CPS2 than the number of SPS you hold, you will need to make a separate Application Payment.

You may also apply for partial reinvestment in the manner outlined in Section 3.3.1.

3.5.4 Can you sell your SPS after you have completed and returned your Application Form?

If you apply to have your SPS reinvested in CPS2, it is your responsibility to ensure that you do not sell or dispose of any of those SPS that you have applied to reinvest, other than as part of the Reinvestment Offer. Holders are taken to agree to a holding lock being placed on those SPS, pending completion of the Reinvestment Offer – but it is your obligation to ensure that you do not transfer those SPS. If you do, the number of CPS2 you may be allocated will be reduced to the extent the required number of SPS are not available on 10 October 2014. Once you have submitted an Application Form to reinvest your SPS, you will be taken to have agreed to a holding lock being placed on those SPS and accordingly will not be able to successfully deal with those SPS.

3.5.5 What are the tax implications of having your SPS redeemed?

A general outline of the taxation implications of investing in the Offer for certain investors who are Australian residents for tax purposes can be found in the Australian taxation summary in Section 7.

3.5.6 Can you continue to hold your SPS after the Step Up Date for SPS?

On 8 September 2014, Bendigo and Adelaide Bank gave SPS holders an SPS Exchange Notice to Exchange SPS on the Step Up Date for SPS (being 10 October 2014). After the Step Up Date for SPS, SPS will no longer be on issue and you cannot continue to hold SPS.

3.5.7 Can you change your SPS payment instructions?

If you elect to reinvest some or all of your SPS in CPS2 and you wish to change your SPS payment instructions for the payment of the SPS Dividend on your Reinvested SPS you must provide updated instructions to the Registry by 3 October 2014.

3.5.8 Is brokerage or stamp duty payable?

No brokerage or stamp duty is payable on the redemption of your SPS or your Application for CPS2. SPS holders who choose to sell their SPS on market through their broker may be required to pay applicable brokerage.

3.5.9 What happens if the CPS2 offer does not proceed?

If you have elected to reinvest some or all of your SPS in CPS2 and the Offer does not proceed, your SPS will not be reinvested into CPS2 and will be dealt with in accordance with the SPS Terms. Any Application Payment in respect of additional CPS2 will be refunded to you. No interest will be payable on any additional Application Payment. If the CPS2 offer does not proceed, Bendigo and Adelaide Bank will separately notify SPS holders of their options on the Step Up Date for SPS, 10 October 2014, including whether Bendigo and Adelaide Bank will redeem or convert SPS.

4. Details of the Offer

This Section sets out what you must do if you wish to apply for CPS2, including:

- who may apply;
- when to apply;
- how to apply;
- how to pay;
- how to complete Application Forms and obtain a Prospectus; and
- where to send your completed Application Form and Application Payment.

4.1 The Offer

The Offer is for the issue of CPS2 at an Issue Price of \$100 each to raise approximately \$250 million, with the ability to raise more or less. The Offer comprises:

- a Reinvestment Offer – made to Eligible SPS Holders;
- a Securityholder Offer – made to Eligible Securityholders;
- a Broker Firm Offer – made to Broker Firm Applicants;
- an Institutional Offer – made to certain Institutional Investors who were invited by the Joint Lead Managers to bid for CPS2 under the Bookbuild; and
- a General Offer – made to members of the general public who are Australian residents, including anyone who is not an Eligible Securityholder or a Broker Firm Applicant (“**General Applicants**”).

This Prospectus (including an electronic copy) does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. As at the date of this Prospectus, no action has been taken to register or qualify CPS2 or the Offer or to otherwise permit a public offering of CPS2 outside Australia. This Prospectus does not constitute an offer of securities in the United States or to any US Persons, or to any person acting for the account or benefit of a US Person. CPS2 may be offered in a jurisdiction outside Australia under the Institutional Offer where such offer is made in accordance with the laws of that jurisdiction – see Section 8.10.

For details of how to apply for CPS2 under the Offer – see Section 4.3.1.

For further details of the Reinvestment Offer – see Section 3.

4.2 Obtaining a Prospectus and Application Form

An electronic copy of this Prospectus will be available online at www.BendigoCPS2offer.com.au. If you access an electronic copy of this Prospectus, you should ensure that you download and read the entire Prospectus, with specific reference to the paragraphs below and the “Electronic access to Prospectus” paragraph in the “Important Notices” Section at the start of this Prospectus.

During the Offer Period, you may also request a free paper copy of this Prospectus either online by following the instructions at www.BendigoCPS2offer.com.au or by contacting the CPS2 Information Line on 1300 722 018 (within Australia) or +61 3 9415 4814 (International) Monday to Friday 9:00am to 5:00pm. Application Forms (both electronic and paper) will only be available with the Prospectus during the Offer Period.

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

Your Application will only be considered where you have applied pursuant to an Application Form (either electronic or paper) that will be attached to or accompany a copy of this Prospectus, and have made your Application Payment.

4.3 Applying for CPS2

4.3.1 How to Apply

| WHO CAN APPLY FOR CPS2? | HOW MANY CPS2 CAN YOU APPLY FOR? | WHEN TO APPLY |
|---|---|---|
| <p>Reinvestment Offer</p> <p>If you were a registered holder of SPS as at 7:00pm on 2 September 2014 and were shown as having an address in Australia and are not in the United States or acting as a nominee for a person in the United States, or you are an SPS holder that Bendigo and Adelaide Bank otherwise determines to be eligible, you are an Eligible SPS Holder and may apply under the Reinvestment Offer.</p> | <p>You can elect how many of your SPS to reinvest in CPS2.</p> <p>If you hold 50 SPS or less and wish to participate in the Reinvestment Offer, you must apply to reinvest all of your SPS in CPS2.</p> <p>If you are an Eligible SPS Holder and own more than 50 SPS, you must apply for a minimum number of 50 CPS2 (\$5,000). In any event, you are entitled to apply for the same number of CPS2 as the number of SPS you hold.</p> <p>You can also apply for additional CPS2. If you wish to apply for additional CPS2, you must apply for a minimum of 50 CPS2, which is a minimum investment of \$5,000, in addition to any Reinvested SPS.</p> <p>Applications for additional CPS2 must result in your additional CPS2 application to be in multiples of 10 CPS2 (\$1,000).</p> | <p>For the Reinvestment Offer, Applications will only be accepted during the Offer Period, which opens on 11 September 2014.</p> <p>The Closing Date for the Reinvestment Offer is 5:00pm on 3 October 2014.</p> <p>Your completed personalised yellow paper Reinvestment Application Form or online Application Form and Application Payment (if applicable) must be received by the Closing Date for the Reinvestment Offer.</p> <p>The options available to Eligible SPS Holders are outlined in Section 3.3.1.</p> |
| <p>Securityholder Offer</p> <p>If you were an Ordinary Shareholder, or holder of CPS, BPS or Capital Notes with a registered address in Australia at 7:00pm on 2 September 2014, you are an Eligible Securityholder and may apply under the Securityholder Offer.</p> | <p>You must apply for a minimum of 50 CPS2, which is a minimum investment of \$5,000.</p> <p>Applications for greater than 50 CPS2 (\$5,000) must be in multiples of 10 CPS2 (\$1,000).</p> <p>Bendigo and Adelaide Bank, in consultation with the Joint Lead Managers, reserves the right to reject any Application, or to Allocate a lesser number of CPS2 than applied for, including less than the minimum Application of 50 CPS2 (\$5,000).</p> | <p>Applications will only be accepted during the Offer Period, which opens on 11 September 2014.</p> <p>The Closing Date for the Securityholder Offer is 5:00pm on 3 October 2014.</p> <p>Your completed personalised pink paper Securityholder Application Form or online Application Form and Application Payment must be received by the Registry by the Closing Date.</p> <p>If you do not use your personalised pink paper Securityholder Application Form or online Application Form, you will be treated as a General Applicant.</p> |
| <p>General Offer</p> <p>Members of the general public who are Australian residents may apply through the General Offer. An Eligible Securityholder who does not use their personalised pink paper Securityholder Application Form or online Application Form will be treated as a General Applicant.</p> | <p>You must apply for a minimum of 50 CPS2, which is a minimum investment of \$5,000.</p> <p>Applications for greater than 50 CPS2 (\$5,000) must be in multiples of 10 CPS2 (\$1,000).</p> <p>Bendigo and Adelaide Bank, in consultation with the Joint Lead Managers, reserves the right to reject any Application, or to Allocate a lesser number of CPS2 than applied for, including less than the minimum Application of 50 CPS2 (\$5,000).</p> | <p>Applications will only be accepted during the Offer Period, which opens on 11 September 2014.</p> <p>The Closing Date for the General Offer is 5:00pm on 3 October 2014.</p> <p>Your completed white paper Broker Firm and General Offer Application Form or online Application Form and Application Payment must be received by the Registry by the Closing Date.</p> |

| WHO CAN APPLY FOR CPS2? | HOW MANY CPS2 CAN YOU APPLY FOR? | WHEN TO APPLY |
|---|---|---|
| <p>Broker Firm Offer</p> <p>If you are an Australian resident retail client of a Joint Lead Manager, Co-Manager or other broker participating in the Offer (“Syndicate Broker”) you may apply to your Syndicate Broker to receive a Broker Firm Allocation.</p> | <p>For Eligible SPS Holders who wish to apply under the Broker Firm Offer:</p> <ul style="list-style-type: none"> • If you hold 50 SPS or less, you must apply to reinvest all of your SPS in CPS2. • If you are an Eligible SPS Holder and own more than 50 SPS, you must apply for a minimum number of 50 CPS2 (\$5,000). In any event, you are entitled to apply for the same number of CPS2 as the number of SPS you hold. • You can also apply for additional CPS2. If you wish to apply for additional CPS2, you must apply for a minimum of 50 CPS2, which is a minimum investment of \$5,000, in addition to any Reinvested SPS. • Applications for additional CPS2 must result in your additional CPS2 application to be in multiples of 10 CPS2 (\$1,000). <p>For all other Broker Firm Applications:</p> <ul style="list-style-type: none"> • You must apply for a minimum of 50 CPS2, which is a minimum investment of \$5,000. • Applications for greater than 50 CPS2 (\$5,000) must be in multiples of 10 CPS2 (\$1,000). • Your Syndicate Broker will inform you of your Allocation. | <p>Applications will only be accepted during the Offer Period, which opens on 11 September 2014.</p> <p>The Closing Date for Applications in respect of Reinvested SPS under the Broker Firm Offer is 5:00pm on 3 October 2014.</p> <p>The Closing Date for the Broker Firm Offer (excluding applications in respect of Reinvested SPS) is 10:00am on 9 October 2014.</p> <p>Your completed white paper Broker Firm and General Offer Application Form or personalised yellow paper Reinvestment Application Form and your Application Payment (if applicable) must be received by your Syndicate Broker in accordance with arrangements made between you and your Syndicate Broker.</p> <p>You must NOT return your white paper Broker Firm and General Offer Application Form or personalised yellow paper Reinvestment Application Form to the Registry.</p> <p>Your Syndicate Broker:</p> <ul style="list-style-type: none"> • must have received your completed white paper Broker Firm and General Offer Application Form or personalised yellow paper Reinvestment Application Form and Application Payment in time to arrange settlement on your behalf by the Closing Date for the Broker Firm Offer; and • will act as your agent in processing your white paper Broker Firm and General Offer Application Form or personalised yellow paper Reinvestment Application Form and providing your Application details and Application Payment to Bendigo and Adelaide Bank. |
| <p>Institutional Offer</p> <p>The Institutional Offer is available to certain Institutional Investors who are invited by a Joint Lead Manager to bid for CPS2 under the Bookbuild provided that investor is not in the United States.</p> | <p>Applications by Institutional Investors are subject to the terms and conditions of the Bookbuild and this Prospectus.</p> | <p>The Bookbuild was conducted on Monday, 8 September 2014.</p> |

| | HOW DO I APPLY ONLINE? | HOW DO I APPLY USING A PAPER APPLICATION FORM? |
|---------------------------|--|---|
| Reinvestment Offer | <p>If you are an issuer sponsored holder, you can apply online at www.BendigoCPS2offer.com.au. Instructions on how to complete your Application are provided online.</p> <p>You will be required to provide your SRN.</p> <p>Application Payment is not required for an online application to reinvest some or all SPS you hold in CPS2.</p> <p>However, you will be required to pay for any additional CPS2 using BPAY® – see Section 4.3.2.</p> <p>CHESS sponsored holders should seek instructions from your broker or controlling participant as to how to reinvest your SPS, however, you can apply online for additional CPS2.</p> | <p>You will receive a personalised yellow Reinvestment Application Form accompanying this Prospectus.</p> <p>Instructions on how to complete the yellow Reinvestment Application Form are set out on the form.</p> <p>When applying via a paper Application Form you may pay for any additional CPS2 using cheque(s) and/or money order(s) – see Section 4.3.2.</p> <p>If you dispose of SPS which you have applied to reinvest, the number of CPS2 you may be allocated will be reduced to the extent the required number of SPS are not available on 10 October 2014. Otherwise, a separate Application Payment is not necessary as the SPS redemption proceeds will be applied to the CPS2 Application Payment.</p> <p>If you apply using a paper Application Form, you cannot pay for CPS2 by BPAY®.</p> <p>Your completed Reinvestment Application Form and Application Payment (if any) must be received by the Registry by the Closing Date for the Reinvestment Offer which is 5:00pm on 3 October 2014.</p> <p>If you are an Eligible SPS Holder and wish to apply through the Broker Firm Offer, refer to the Broker Firm Offer Section above for further instructions.</p> |

| | HOW DO I APPLY ONLINE? | HOW DO I APPLY USING A PAPER APPLICATION FORM? |
|-----------------------------|--|---|
| Securityholder Offer | <p>You can apply online at www.BendigoCPS2offer.com.au. Instructions on how to complete your Application are provided online.</p> <p>You will be required to provide your SRN or HIN.</p> <p>When applying online, you will be required to pay for CPS2 using BPAY® – see Section 4.3.2.</p> <p>If you are applying online and paying by BPAY®, you do not need to return a paper Application Form to the Registry.</p> | <p>Eligible holders of Ordinary Shares, CPS, BPS and Capital Notes will have received an email or a postcard providing details relating to the Securityholder Offer.</p> <p>Should you wish to apply for CPS2 under the Securityholder Offer or receive additional information, you can request a free paper copy of this Prospectus and a personalised pink paper Securityholder Application Form either online by following the instructions at www.BendigoCPS2offer.com.au or by contacting the CPS2 Information Line on 1300 722 018 (within Australia) or +61 3 9415 4814 (International) Monday to Friday 9:00am to 5:00pm.</p> <p>Should you wish to apply under the Securityholder Offer, you will be required to provide your SRN or HIN.</p> <p>Instructions on how to complete the Application Form are set out on the form.</p> <p>When applying via a paper Application Form you may pay for CPS2 using cheque(s) and/or money order(s) – see Section 4.3.2.</p> <p>If you apply using a paper Application Form, you cannot pay for CPS2 by BPAY®.</p> <p>Your completed personalised pink paper Securityholder Application Form and Application Payment must be received by the Registry by the Closing Date for the Securityholder Offer which is 5:00pm on 3 October 2014.</p> |
| General Offer | <p>You can apply online at www.BendigoCPS2offer.com.au. Instructions on how to complete your Application are provided online.</p> <p>When applying online, you will be required to pay for CPS2 using BPAY® – see Section 4.3.2.</p> <p>If you are applying online and paying by BPAY®, you do not need to return a paper Application Form to the Registry.</p> | <p>You should complete the white Broker Firm and General Offer Application Form at the back of this Prospectus.</p> <p>Instructions on how to complete the Application Form are set out on the form.</p> <p>When applying via a paper Application Form you may pay for CPS2 using cheque(s) and/or money order(s) – see Section 4.3.2.</p> <p>If you apply using a paper Application Form, you cannot pay for CPS2 by BPAY®.</p> <p>Your completed white Broker Firm and General Offer Application Form and Application Payment must be received by the Registry by the Closing Date for the General Offer which is 5:00pm on 3 October 2014.</p> |

HOW DO I APPLY USING A PAPER APPLICATION FORM?

| | |
|----------------------------|--|
| Broker Firm Offer | <p>Broker Firm Applicants who are not Eligible SPS Holders: If you are a client of a Syndicate Broker, you should complete the white Broker Firm and General Offer Application Form and you should contact the Syndicate Broker who has offered you the Broker Firm Allocation for instructions on when and how to submit your Application Form and Application Payment.</p> <p>If you are a Broker Firm Applicant, you can NOT apply online.</p> <p>The Closing Date for the Broker Firm Offer is 10:00am on 9 October 2014 (excluding applications in respect of Reinvested SPS).</p> <p>Broker Firm Applicants who are Eligible SPS Holders: If you are a client of a Syndicate Broker and wish to reinvest your SPS into CPS2 through your Syndicate Broker, you should complete your personalised yellow paper Reinvestment Application Form and you should contact your Syndicate Broker for instructions on when and how to submit your Application Form (and Application Payment to the extent you have applied for additional CPS2).</p> <p>If you are a Broker Firm Applicant who is an Eligible SPS Holder you can NOT apply online.</p> <p>The Closing Date for the Broker Firm Offer for applications in respect of Reinvested SPS is 5:00pm on 3 October 2014.</p> <p>You should submit your Application Form and Application Payment to your Syndicate Broker directly (NOT to the Registry).</p> <p>Your Syndicate Broker:</p> <ul style="list-style-type: none">• must have received your completed paper Application Form and Application Payment (if applicable) in time to arrange settlement on your behalf by the relevant Closing Date for the Broker Firm Offer; and• will act as your agent in processing your paper Application Form and providing your Application details and Application Payment to Bendigo and Adelaide Bank. |
| Institutional Offer | Application and settlement procedures for Institutional Investors have been advised by the Joint Lead Managers. |

4.3.2 How to Pay

| | |
|--|--|
| Applying online | <p>If you apply online, you will be required to make your Application Payment (if applicable) for CPS2 using BPAY®. Paper Application Forms will not be accepted with a BPAY® payment.</p> <p>BPAY® is an electronic payment service that enables you to pay for your CPS2 directly from your cheque or savings account online through participating Australian banks, credit unions or building societies. Please note that your bank, credit union or building society may impose a limit on the amount which you can transact on BPAY® and payment cut-off times may vary between different financial institutions. For more information, please see www.bpay.com.au or your own financial institution.</p> <p>To pay for your CPS2 by BPAY® you should complete the online Application Form by visiting www.BendigoCPS2offer.com.au and following the instructions.</p> <p>You will need to access your financial institution online and you will be required to quote the Biller Code and your unique Customer Reference Number (“CRN”) which will be provided to you upon completion of your online Application Form. It is very important that you enter these correctly. If you are applying online and you do not make your Application Payment by BPAY®, your Application will not be accepted and you will not be issued any CPS2.</p> <p>BPAY® payments must be made from an Australian dollar account of an Australian financial institution.</p> <p>Your completed online Application Form and Application Payment must be received by the Registry by the Closing Date.</p> |
| Applying via a paper Application Form | <p>To apply using the yellow Reinvestment Application Form, pink Securityholder Application Form or white Broker Firm and General Offer Application Form, Application Payments must be in the form of cheque(s) and/or money order(s) drawn on an Australian dollar account of an Australian financial institution. Cash will not be accepted.</p> <p>Your completed Application Form and Application Payment should be sent by mail to the Registry at the address below:</p> <p>Bendigo and Adelaide Bank CPS2 Offer Computershare Investor Services Pty Limited GPO Box 52 Melbourne VIC 3001</p> <p>such that they are received by the Registry no later than 5:00pm on 3 October 2014.</p> <p>Applications will not be accepted at any Bendigo and Adelaide Bank offices or branches or any other address, or by any other means.</p> |

If you are applying as a Broker Firm Applicant you should contact your Syndicate Broker for instructions on how to submit your Application Form and Application Payment.

4.3.3 Brokerage and stamp duty

You do not have to pay brokerage or stamp duty on your Application for CPS2. You may have to pay brokerage, but will not have to pay any stamp duty, on any later sale of your CPS2 on ASX after CPS2 have been quoted on ASX.

4.3.4 Application Payments held on trust

Until CPS2 are issued, Bendigo and Adelaide Bank will hold the Application Payments in a trust account. The account will be established and kept solely for the purpose of depositing Application Payments and dealing with those funds in accordance with the Corporations Act. Any interest that accrues in that account will be retained by Bendigo and Adelaide Bank. After CPS2 are issued to successful Applicants, the Application Payments held on trust will be payable to Bendigo and Adelaide Bank.

4.3.5 Refunds

In the following cases, you will be sent a refund cheque for any Application Payments received as soon as practicable after the Closing Date:

- you are Allocated fewer than the number of CPS2 you applied for;
- your Application is rejected; or
- the Offer does not proceed for any reason.

No interest will be payable to Applicants on Application Payments and any interest will be retained by Bendigo and Adelaide Bank.

4.3.6 Role of Syndicate Brokers in the Broker Firm Offer

If you wish to apply under the Broker Firm Offer, your Syndicate Broker will act as your agent in relation to the Offer. Bendigo and Adelaide Bank will not be responsible for any conduct of your Syndicate Broker in connection with the Offer, your Application or your Application Payment.

4.4 Provision of personal information

The information about you included on an Application Form is used for the purposes of processing the Application and, if the Application is successful, to administer your CPS2. For information about the acknowledgements and privacy statement in relation to personal information that you provide to Bendigo and Adelaide Bank by completing an Application Form – see Section 8.12.

4.5 Allocation policy and Allotment

4.5.1 Allocation policy

The Allocation policy for Institutional Investors and Syndicate Brokers was determined after the close of the Bookbuild – see Section 4.5.2.

The Allocation policy for Eligible SPS Holders, Eligible Securityholders and General Applicants will be determined in consultation with the Joint Lead Managers after the Reinvestment Offer, Securityholder Offer, and General Offer Closing Dates when all Applications have been received.

| | |
|---|---|
| Reinvestment Offer, Securityholder Offer and General Offer | <p>With the exception of the guaranteed Allocation of one CPS2 for every SPS reinvested by Eligible SPS Holders under the Reinvestment Offer and the Broker Firm Offer, Bendigo and Adelaide Bank reserves the right in the event of excess demand to Allocate fewer CPS2 than Eligible SPS Holders, Eligible Securityholders and General Applicants have applied for – and possibly fewer than the minimum Application of 50 CPS2 or even no CPS2.</p> <p>No assurance is given that any Applicant under the Securityholder Offer or the General Offer will receive an Allocation.</p> <p>If there is excess demand and scaling of Applications occurs, Eligible SPS Holder Applicants under the Reinvestment Offer will receive preferential Allocations over Applicants under the Securityholder Offer and any Applicants under the General Offer who are Australian resident existing retail customers of Bendigo and Adelaide Bank or Australian resident existing directors or shareholders of a Community Bank® company who may in turn receive preferential Allocations over any other Applicants under the General Offer.</p> <p>In order to be eligible for such preferential Allocations:</p> <ul style="list-style-type: none">• Eligible SPS Holders: you may apply online or complete a personalised yellow Reinvestment Application Form that will accompany the Prospectus.• Eligible Securityholders: you may apply online or complete a personalised pink paper Securityholder Application Form. <p>Bendigo and Adelaide Bank, after consultation with the Joint Lead Managers, has absolute discretion to determine the method and extent of any priority Allocation.</p> |
| Institutional Offer | <p>Allocations to Institutional Investors will be agreed by the Joint Lead Managers and Bendigo and Adelaide Bank.</p> |
| Broker Firm Offer | <p>Allocations to Syndicate Brokers were agreed by the Joint Lead Managers and Bendigo and Adelaide Bank. Allocations to Broker Firm Applicants by a Syndicate Broker are at the discretion of that Syndicate Broker.</p> |

4.5.2 Bookbuild

The Bookbuild is a process that was conducted by the Joint Lead Managers in consultation with Bendigo and Adelaide Bank before the Opening Date to determine the Margin and firm Allocations of CPS2 to Bookbuild participants. In this process, the Bookbuild participants were invited to submit bids for a number of CPS2 within an indicative Margin range of 3.20% to 3.30%. On the basis of those bids, the Joint Lead Managers and Bendigo and Adelaide Bank determined the Margin to be 3.20% as well as the firm Allocations to Syndicate Brokers and Institutional Investors.

The Bookbuild was conducted in the manner contemplated in this Prospectus and otherwise on the terms and conditions agreed to by Bendigo and Adelaide Bank and the Joint Lead Managers in the Offer Management Agreement – see Section 8.6.

4.5.3 Settlement support

The Joint Lead Managers have agreed with Bendigo and Adelaide Bank to provide settlement support for the number of CPS2 Allocated to Institutional Investors and Syndicate Brokers under the Bookbuild. Settlement support means that if any of the Institutional Investors or Syndicate Brokers fail to pay the aggregate Issue Price to Bendigo and Adelaide Bank by the settlement date for the Institutional Offer and the Broker Firm Offer (which is the Business Day prior to the Issue Date), the Joint Lead Managers will be issued with and must pay for those CPS2.

Under the Offer Management Agreement, as part of this settlement support, the Joint Lead Managers will pay to Bendigo and Adelaide Bank, or procure payment to Bendigo and Adelaide Bank, the aggregate proceeds raised from Institutional Investors and Syndicate Brokers under the Bookbuild (taking into account the application of SPS Redemption proceeds under the Reinvestment Offer) by the Settlement Date, which is the Business Day prior to the Issue Date.

The Offer Management Agreement may be terminated by the Joint Lead Managers in certain circumstances – see Section 8.6. If the Offer Management Agreement is terminated by all of the Joint Lead Managers, Syndicate Brokers and Institutional Investors who participated in the Bookbuild can withdraw their firm Allocations. For details of the fees payable under the Offer Management Agreement see Section 9.2.

4.5.4 Allotment

Bendigo and Adelaide Bank intends to issue 2.5 million CPS2 at an Issue Price of \$100 each, to raise \$250 million, with the ability to raise more or less.

Bendigo and Adelaide Bank will not issue any CPS2 until it has been granted approval for CPS2 to be quoted on ASX and all proceeds from accepted Applications have been received by Bendigo and Adelaide Bank. CPS2 will be issued on the Issue Date which is 10 October 2014. Bendigo and Adelaide Bank may agree with the Joint Lead Managers to change the Closing Dates for the Offer and the Issue Date or may withdraw the Offer at any time before Allotment.

4.6 Quotation, Holding Statements and other information

4.6.1 ASX quotation

Bendigo and Adelaide Bank has applied to ASX for CPS2 to be quoted on ASX. If ASX does not grant permission for CPS2 to be quoted within three months after the date of the Original Prospectus (or any longer period permitted by law), CPS2 will not be issued and all Application Payments will be refunded (without interest) to Applicants as soon as practicable. It is expected that CPS2 will be quoted under ASX code “BENPE”.

4.6.2 Commencement of trading of CPS2 on ASX

It is expected that CPS2 will begin trading on ASX on a deferred settlement basis on 13 October 2014 until despatch of Holding Statements is completed, which is expected to occur by 16 October 2014. Trading of CPS2 is expected to commence on a normal settlement basis on 17 October 2014. Deferred settlement will occur as a consequence of trading which takes place before Holding Statements are despatched to successful Applicants.

You are responsible for confirming your holding before trading in CPS2. If you are a successful Applicant and sell your CPS2 before receiving your Holding Statement, you do so at your own risk.

To assist you in determining your Allocation prior to receipt of your Holding Statement, Bendigo and Adelaide Bank will announce the basis of Allocation by placing advertisements in major national and metropolitan newspapers in Australia on or before 10 October 2014. After the basis of Allocation has been determined, you may also call the CPS2 Information Line on 1300 722 018 (within Australia) or +61 3 9415 4814 (International) between 9:00am and 5:00pm, Monday to Friday to seek information regarding your Allocation or alternatively you may contact your Syndicate Broker after the Issue Date.

4.6.3 Holding Statements

Bendigo and Adelaide Bank has applied for CPS2 to participate in CHESS. No certificates will be issued for CPS2. Following the Allotment of CPS2 to successful Applicants, Holders will be sent a Holding Statement that sets out the number of CPS2 they have been allocated in the Offer.

Bendigo and Adelaide Bank expects that Holding Statements for issuer sponsored holders and confirmations for CHESS holders will be despatched to successful Applicants by 16 October 2014.

4.6.4 Provision of bank account details for Dividends

Bendigo and Adelaide Bank's current policy is that Dividends will be paid in Australian dollars by cheque, unless the Holder nominates direct credit into a nominated Australian financial institution account (excluding credit card accounts), for Holders with a registered address in Australia.

For all other Holders, Bendigo and Adelaide Bank's current policy is that Dividends will be paid by Australian dollar cheque.

4.6.5 Tax File Number and/or Australian Business Number

Investors who have not already provided their Tax File Number ("TFN") or Australian Business Number ("ABN") to Bendigo and Adelaide Bank will be given an opportunity to do so after CPS2 are Allotted.

You do not have to provide your TFN or ABN. However, Bendigo and Adelaide Bank may be required to withhold Australian tax at the maximum marginal tax rate (currently 49.0% including the Medicare Levy and the Temporary Budget Repair Levy) on the amount of any Dividends in respect of your CPS2, and will not provide you with any additional payments in respect of that withholding, if you do not provide any one of your:

- TFN;
- TFN exemption details (if applicable); or
- ABN (if CPS2 are held in the course of an enterprise carried on by a Holder).

Successful Applicants who do not have an address in Australia registered with the Registry, or who direct the payment of any Dividend to an address outside of Australia, may have an amount deducted for Australian withholding tax from any Dividend paid, to the extent that the Dividend is not fully franked.

5. About Bendigo and Adelaide Bank

5.1 Bendigo and Adelaide Bank

Bendigo and Adelaide Bank is a public company listed on the ASX and registered in Victoria under the Corporations Act. Bendigo and Adelaide Bank converted from a building society to a bank on 1 July 1995. At the time of conversion, Bendigo and Adelaide Bank was Victoria's largest building society and Australia's oldest, having operated as a building society for 137 years. Bendigo and Adelaide Bank has grown considerably, both organically and as a result of strategic acquisitions. Today's business is, to a large degree, the result of the successful merger of the antecedent businesses of Bendigo Bank Limited and Adelaide Bank Limited in 2007, and is now a top 100 ASX listed company owned by more than 90,000 shareholders.

Bendigo and Adelaide Bank provides banking and financial services primarily to retail customers and small to medium sized businesses. The principal activities of Bendigo and Adelaide Bank and its controlled entities are the provision of a range of banking and other financial services, including lending, deposit taking, superannuation and funds management, insurance, treasury and foreign exchange services (including trade finance), financial advisory and trustee services. Bendigo and Adelaide Bank is regulated by APRA.

Bendigo and Adelaide Bank has more than 500 branches, including approximately 305 Community Bank[®] branches. For the 2014 financial year, retail deposits increased 6%. Its proportion of funding from deposits continues to comprise more than three quarters of Bendigo and Adelaide Bank's total funding. Bendigo and Adelaide Bank will continue to leverage its retail distribution network as existing branches mature and as more branches are opened.

As at 30 June 2014, Bendigo and Adelaide Bank had an asset base of \$65.1 billion and for the 12 months ending 30 June 2014, Bendigo and Adelaide Bank's net profit attributable to equity holders increased 5.7% (over the previous 12 months) to \$372.3 million.

Bendigo and Adelaide Bank's activities are conducted under six distinct brands, (see Section 5.1.1) under a successful multi-brand strategy. Overall Bendigo and Adelaide Bank offers customers a unique community, customer and partner proposition.

5.1.1 Bendigo and Adelaide Bank's business model

The Bendigo and Adelaide Bank Group provides the above services primarily to retail customers and small to medium sized businesses. The business activities are primarily conducted through four specific customer-facing business divisions – Retail Banking, Third Party Banking, Bendigo Wealth and Rural Banking.

The Group's customer facing brands are depicted in the diagram below.



5.1.2 Retail Banking

The Retail Banking business operates under the 'Bendigo Bank' and 'DelphiBank' brands. It provides a full suite of traditional retail banking, wealth and risk management services to retail customers via a national network of more than 500 branches (company owned and Community Bank®), call centres, agencies and online banking services.

'Bendigo Bank' is one of the leading banking brands for customer and business satisfaction and advocacy with a unique offering through its Community Bank® model.

The major revenue sources are net interest income from traditional banking services (i.e. lending and deposit taking) and fee income from the provision of services. The Group shares revenue with the Community Bank® branch network.

Community Bank® is a franchise with the community owning the rights to operate a Bendigo Bank branch. Essentially, a locally owned public company invests in the rights to operate a bank branch. The Group supplies all banking and back office services while the community company operates the retail outlet. Revenue is shared, enabling communities to earn revenue from their own banking and channel this revenue back into community enterprise and development.

Delphi Bank (formerly Bank of Cyprus Australia) provides retail banking services to Greek and Cypriot communities through its branches in New South Wales, Victoria and South Australia.

5.1.3 Third Party Banking

The Third Party Banking business includes the Adelaide Bank branded business which distributes residential mortgage, commercial and consumer finance through intermediaries, including mortgage managers and brokers.

Third Party Banking also includes the Group's portfolio funding business which provides wholesale funding to third party financiers in the commercial and consumer finance markets.

The major revenue sources are net interest income and fees derived from the provision of residential, commercial, consumer and business lending.

5.1.4 Bendigo Wealth

Bendigo Wealth is the Group's wealth management division providing margin lending, superannuation, managed investments, traditional trustee services and financial planning services through subsidiaries including Sandhurst Trustees, Bendigo Financial Planning and Leveraged Equities. This business is an independent provider of choice in selected products for consumers.

The major revenue sources are fees, commissions and interest from the provision of wealth management, margin lending, wealth deposit, cash management and financial planning products and services.

5.1.5 Rural Banking

Rural Bank is a wholly-owned subsidiary with a separate banking licence. Rural Bank provides specialised banking products and services to primary producers and agribusiness participants. Rural Bank products and services are available at regional locations nationally including Bendigo Bank branches, Elders Rural Services branches and a metropolitan Investment Centre in Adelaide.

The major revenue source is net interest income and fees predominantly derived from the provision of loans and deposit products to agribusiness, rural and regional Australian communities.

On 1 July 2014, Bendigo and Adelaide Bank announced the completion of the acquisition of the business activities and selected assets of RFC. RFC comprised a \$1.7 billion loan book in Victoria, with 11 offices and 115 staff.

RFC has approximately 3,200 customers and offers a broad range of agribusiness products. The business is diversified both geographically within Victoria and also by industry exposure. This diversity of operations has supported RFC's track record of above market loan growth and very low historical loss rate.

There is strong strategic alignment for this acquisition with both businesses having a customer centred focus and there is a natural fit with Bendigo and Adelaide Bank's position as a leading Victorian regional finance provider.

5.2 Our vision and strategy

Our vision is to be Australia's most customer connected bank and our strategy is to focus on the success of our customers, people, partners and communities. For this purpose:

- we take a long term (100 year) view of the business which means that we make decisions that will generate value for years to come. We will not be price driven or willing to cut costs at the expense of long term value;
- we listen and respond. With technology advancements and high levels of competition, listening to what it is our customers and partners want to achieve will help us to tailor products and services to meet their needs;
- we respect every customer's choice, needs and objectives. We look to put our customers in control of how they want to define their banking relationship with us and how they want to deal with us; and
- we partner for sustainable outcomes.

We believe our success comes from our focus on the success of others. If we do this we will be relevant, connected and valued, with the benefits flowing to all of our stakeholders including shareholders, customers, our people, partners and the wider community.

5.3 Financial information

The selected financial information in relation to Bendigo and Adelaide Bank presented in this section has been derived from the audited financial statements of Bendigo and Adelaide Bank for the year ended 30 June 2014.

The financial information presented in this Section is in abbreviated form and does not contain all of the disclosures usually provided in an annual financial report prepared in accordance with the Corporations Act.

Bendigo and Adelaide Bank is a disclosing entity for the purposes of the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules. These include continuous disclosure obligations.

Bendigo and Adelaide Bank's most recent audited annual financial report prepared in accordance with Australian Accounting Standards was its annual financial report for the year ended 30 June 2014. A copy of this report can be obtained from www.bendigoadelaide.com.au and www.asx.com.au.

It is recommended that the annual financial report be read in conjunction with any announcements made by Bendigo and Adelaide Bank and its controlled entities since 30 June 2014 in accordance with its continuous disclosure obligations.

5.3.1 Historical consolidated income statement for year end 30 June 2014

The following table sets out Bendigo and Adelaide Bank's audited historical consolidated income statements for the years ended 30 June 2014 and 30 June 2013.

| | Consolidated | |
|--|----------------|----------------|
| | 2014 \$m | 2013 \$m |
| Income | | |
| Net interest income | | |
| Interest income | 2,928.2 | 3,140.5 |
| Interest expense | 1,810.0 | 2,113.0 |
| Total net interest income | 1,118.2 | 1,027.5 |
| Other revenue | | |
| Dividends | 0.8 | 0.7 |
| Fees | 160.5 | 167.6 |
| Commissions | 51.0 | 44.7 |
| Other revenue | 103.2 | 82.6 |
| Total other revenue | 315.5 | 295.6 |
| Other income | | |
| Ineffectiveness in cash flow hedges | 0.1 | (1.8) |
| Other | – | 26.4 |
| Total other income | 0.1 | 24.6 |
| Share of net profit accounted for using the equity method | 0.2 | 1.6 |
| Total income | 1,434.0 | 1,349.3 |
| Expenses | | |
| Bad and doubtful debts | | |
| Bad and doubtful debts | 85.6 | 72.7 |
| Bad and doubtful debts recovered | (3.7) | (2.8) |
| Total bad and doubtful debts | 81.9 | 69.9 |
| Other expenses | | |
| Staff and related costs | 435.1 | 407.0 |
| Occupancy costs | 85.3 | 70.6 |
| Amortisation of intangibles | 36.8 | 43.8 |
| Property, plant & equipment costs | 9.7 | 10.6 |
| Fees and commissions | 26.5 | 28.6 |
| Impairment loss on goodwill | – | 6.2 |
| Integration costs | – | 9.9 |
| Other | 222.2 | 215.1 |
| Total other expenses | 815.6 | 791.8 |
| Profit before income tax expense | 536.5 | 487.6 |
| Income tax expense | (164.2) | (135.3) |
| Net profit for the year | 372.3 | 352.3 |
| Per share information: | | |
| Basic earnings per ordinary share (cents per share) | 87.7 | 84.9 |
| Diluted earnings per ordinary share (cents per share) | 83.6 | 79.9 |
| Cash basis earnings per ordinary share (cents per share) | 91.5 | 85.4 |
| Franked dividends per ordinary share (cents per share) | 64.0 | 61.0 |

5.3.2 Historical and pro forma historical consolidated balance sheet as at 30 June 2014

The following table sets out the audited historical consolidated balance sheet of Bendigo and Adelaide Bank as at 30 June 2014 (in the column headed 'Historical consolidated balance sheet as at June 2014') and the unaudited consolidated pro-forma historical balance sheet based on the audited consolidated balance sheet adjusted as if the issue of \$250 million of CPS2 were completed as at that date (in the column headed 'Pro forma historical consolidated balance sheet as at June 2014'). The pro forma historical consolidated balance sheet has been prepared in the manner consistent with the recognition and measurement principles of Australian Accounting Standards and relevant accounting policies as disclosed in the 30 June 2014 financial statements and based on the following assumptions:

- The pro-forma historical financial information solely relates to the issuance of CPS2. It does not include any other transactions which have occurred since 30 June 2014. Refer to the annual financial report for a description of subsequent events.
- Pro-forma adjustments related to the Offer and SPS:
 - \$250 million raised through the Offer less net issue costs of \$9 million;
 - the redemption of \$100 million of SPS; and
 - the issuance of CPS2 and the redemption of SPS has been back-dated to 30 June 2014.

| | Historical consolidated balance sheet as at June 2014 | Pro forma adjustments related to the Offer | Pro forma historical consolidated balance sheet as at June 2014 |
|--|---|--|---|
| Assets | | | |
| Cash and cash equivalents | 716.1 | 141.0 | 857.1 |
| Due from other financial institutions | 242.5 | | 242.5 |
| Financial assets held for trading | 7,265.4 | | 7,265.4 |
| Financial assets available for sale – debt securities | 619.3 | | 619.3 |
| Financial assets held to maturity | 286.6 | | 286.6 |
| Financial assets available for sale – equity investments | 24.3 | | 24.3 |
| Derivatives | 22.3 | | 22.3 |
| Loans and other receivables – investment | 397.1 | | 397.1 |
| Net loans and other receivables | 52,535.7 | | 52,535.7 |
| Investments accounted for using the equity method | 15.7 | | 15.7 |
| Property, plant & equipment | 96.8 | | 96.8 |
| Deferred tax assets | 127.2 | | 127.2 |
| Investment property | 404.9 | | 404.9 |
| Assets held for sale | 3.3 | | 3.3 |
| Intangible assets and goodwill | 1,504.4 | | 1,504.4 |
| Other assets | 803.3 | | 803.3 |
| Total Assets | 65,064.9 | 141.0 | 65,205.9 |

| | Historical consolidated balance sheet as at June 2014 | Pro forma adjustments related to the Offer | Pro forma historical consolidated balance sheet as at June 2014 |
|---|---|--|---|
| Liabilities | | | |
| Due to other financial institutions | 363.5 | | 363.5 |
| Deposits | 52,359.4 | | 52,359.4 |
| Notes payable | 5,256.4 | | 5,256.4 |
| Derivatives | 79.2 | | 79.2 |
| Income tax payable | 17.5 | | 17.5 |
| Provisions | 103.8 | | 103.8 |
| Deferred tax liabilities | 79.8 | | 79.8 |
| Other payables | 914.2 | | 914.2 |
| Convertible preference shares | 261.4 | | 261.4 |
| Convertible preference shares 2 | – | 241.0 | 241.0 |
| Subordinated debt | 655.5 | | 655.5 |
| Total Liabilities | 60,090.7 | 241.0 | 60,331.7 |
| Net Assets | 4,974.2 | (100.0) | 4,874.2 |
| Equity | | | |
| <i>Equity attributable to equity holders of parent</i> | | | |
| Issued capital – ordinary | 4,183.3 | | 4,183.3 |
| Perpetual non-cumulative redeemable convertible preference shares | 88.5 | | 88.5 |
| Step up preference shares (SPS) | 100.0 | (100.0) | – |
| Employee Share Ownership Plan (ESOP) shares | (16.2) | | (16.2) |
| Reserves | 101.1 | | 101.1 |
| Retained earnings | 517.5 | | 517.5 |
| Total Equity | 4,974.2 | (100.0) | 4,874.2 |

Note: Assumes \$250 million of CPS2 were issued on 30 June 2014 with net issue costs of \$9 million adjusted for the Redemption of \$100 million SPS.

5.4 Capital adequacy

5.4.1 Prudential requirements

Bendigo and Adelaide Bank is regulated by APRA because of its status as an Authorised Deposit-taking Institution (“ADI”). APRA is the prudential regulator of the Australian financial services industry. It oversees credit unions, building societies, general insurance and reinsurance companies, life insurers, friendly societies, most members of the superannuation industry, and ADIs. APRA’s Prudential Standards aim to ensure that ADIs (including Bendigo and Adelaide Bank) remain adequately capitalised to support the risks associated with their activities and to generally protect Australian depositors.

Bendigo and Adelaide Bank remains on the Standardised approach for credit and operational risk under Basel II and has initiated a project to become accredited under APRA’s advanced capital measurement model.

APRA’s risk-based capital adequacy guidelines are generally consistent with the International Regulatory Framework for Banks, also known as Basel III, issued by the Basel Committee on Banking Supervision (“BCBS”), except where APRA has exercised certain discretions.

APRA applies a tiered approach to measuring Bendigo and Adelaide Bank’s capital adequacy by assessing financial strength at two levels:

- Level 1 includes Bendigo and Adelaide Bank Limited and certain controlled entities that meet the APRA definition of extended licensed entities; and
- Level 2 consists of the consolidated group, excluding non-controlled subsidiaries and subsidiaries involved in insurance, funds management, non-financial operations and securitisation special purpose vehicles.

The effect of the Offer on Bendigo and Adelaide Bank’s capital adequacy ratio is set out in Section 5.4.5.

5.4.2 APRA's adoption of Basel III prudential capital standards and its Level 3 framework

On 1 January 2013, APRA's Basel III prudential capital standards came into effect requiring Australian banks (including Bendigo and Adelaide Bank) to maintain minimum ratios of capital to risk weighted assets of at least 4.5% Common Equity Tier 1 Capital, 6% Tier 1 Capital and 8% Total Capital. APRA also requires ADIs to maintain minimum prudential capital ratios which may not be disclosed.

From 1 January 2016, APRA will require Australian banks to hold capital buffers above minimum capital requirements. The capital buffers include a capital conservation buffer ("CCB") of 2.5%, and a higher loss absorbency ("HLA") requirement of 1% for Domestic Systemically Important Banks ("D-SIB")¹¹. Bendigo and Adelaide Bank is not designated as a D-SIB. Restrictions on the distribution of earnings, including payment of dividends, discretionary bonuses and Additional Tier 1 Capital distributions apply when capital ratios fall within the CCB.¹² At APRA's discretion, a further countercyclical buffer of between 0% and 2.5% may be applied¹³ which would require Bendigo and Adelaide Bank to hold additional capital where APRA determines excess credit growth is associated with a build-up of system wide risk. The countercyclical buffer requirement in Australia is currently 0%.

APRA has released its planned framework for the supervision of conglomerate groups (also known as Level 3)¹⁴ but will defer a decision on its final implementation until the recommendations of the Financial System Inquiry ("FSI"), and the Australian Government's response to them, have been announced. The supervision of conglomerate groups is unlikely to impact Bendigo and Adelaide Bank given its current group structure and operations. The Australian Government is currently undertaking a review of the Australian financial system and the FSI has released an interim report containing a number of observations and potential policy options, but has not made any recommendations for policy changes at this stage. The FSI's final report is expected in November 2014. Changes to regulations could affect Bendigo and Adelaide Bank in substantial and unpredictable ways (see Section 6.2.20).

The BCBS, as part of its Regulatory Consistency Assessment Program ("RCAP"), has assessed the Australian adoption of Basel III and its consistency with the Basel framework. In their March 2014 report, the BCBS confirmed that Australian prudential regulation is compliant with the Basel framework. The report noted some items in APRA's Prudential Standards that, while differing from the Basel III standards, have in most cases no material or practical effect.

The BCBS also introduced a simple, non-risk based leverage ratio requirement which would act as a supplementary measure to risk-based capital requirements. The leverage ratio is expected to be determined by the ratio of Tier 1 Capital to the sum of certain on and off-balance sheet exposures. APRA has proposed to introduce this measure broadly in line with the BCBS requirements, with public disclosure expected to commence from 1 January 2015. The BCBS proposes a 3% minimum leverage ratio expected to be effective from 1 January 2018.

5.4.3 Prudential capital classification

APRA measures an ADI's regulatory capital using three regulatory measures, being Common Equity Tier 1 Capital, Tier 1 Capital and Total Capital.

Common Equity Tier 1 Capital comprises the highest quality components of capital that consists of paid-up share capital, retained profits and certain reserves, less the deduction of certain intangible assets, capitalised expenses and software, and investments and retained profits in insurance and funds management subsidiaries that are not consolidated for capital adequacy purposes and certain other adjustments.

Tier 1 Capital is the sum of Common Equity Tier 1 Capital and Additional Tier 1 Capital. Additional Tier 1 Capital comprises high quality components of capital that consists of certain securities not included in Common Equity Tier 1 Capital, but which include loss absorbing characteristics.

Total Capital is the sum of Tier 1 Capital and Tier 2 Capital. Tier 2 Capital includes other components of capital that, to varying degrees, fall short of the quality of Tier 1 Capital, but nonetheless contribute to the overall strength of an ADI and its capacity to absorb losses.

APRA has provided confirmation that CPS2 will, once issued, be eligible for inclusion in Bendigo and Adelaide Bank's Additional Tier 1 Capital under APRA's prudential standard APS 111.

5.4.4 Capital management strategy

Bendigo and Adelaide Bank seeks to maintain a conservative and prudent capital base that adequately supports the risks being taken through the normal operation of the business. This includes providing for effective and efficient capital buffers to protect depositors and investors, and allowing the business to grow. The capital management strategy also plans and manages for changes in business conditions, through

11. On 23 December 2013 APRA published an information paper on its framework for D-SIBs in Australia. In the paper APRA determined that the four major Australian banks are D-SIBs.

12. The CCB, including the D-SIB HLA requirement for D-SIB entities, is to be met wholly by Common Equity Tier 1 Capital.

13. Operating as a further extension of the CCB and met wholly by Common Equity Tier 1 Capital.

14. On 15 August 2014, APRA released its planned framework for the supervision of conglomerate groups which includes certain updated prudential standards, a number of draft prudential practice guides and a response paper that addresses the submissions APRA received on the December 2012 and May 2013 Level 3 consultation packages.

normal business cycles, regulatory and legislative change and through mergers and acquisitions. The capital management strategy is designed to ensure that minimum capital standards are met, and that management is afforded the greatest flexibility in pursuing its business objectives.

5.4.5 Historical and pro forma historical consolidated capital adequacy position as at 30 June 2014

The following table sets out the consolidated pro forma historical capital adequacy position based on the audited historical consolidated balance sheet of Bendigo and Adelaide Bank as at 30 June 2014 and Basel III prudential requirements, adjusted as if the issue of \$250 million CPS2 were completed as at that date using the same assumptions as noted in the pro forma balance sheet in Section 5.3.2.

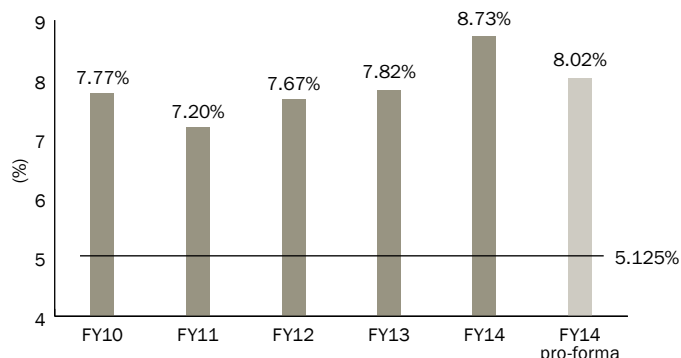
| | Historical consolidated capital adequacy position as at June 2014 | Pro forma adjustments related to the Offer | Pro forma historical consolidated capital adequacy position as at June 2014 |
|--|---|--|---|
| Regulatory Capital | | | |
| Contributed capital | 4,183.3 | | 4,183.3 |
| Retained profits & reserves | 413.9 | | 413.9 |
| Accumulated other comprehensive income (and other reserves) | (33.6) | | (33.6) |
| Intangible assets, cash flow hedges and capitalised expenses | (1,638.0) | | (1,638.0) |
| Net deferred tax assets | (44.9) | | (44.9) |
| Equity exposures | (29.4) | | (29.4) |
| Other adjustments as per APRA advice | (3.5) | | (3.5) |
| Total Common Equity Tier 1 Capital | 2,847.8 | | 2,847.8 |
| Additional Tier 1 capital instruments | 412.2 | 178.7 | 590.9 |
| Total Additional Tier 1 Capital | 412.2 | 178.7 | 590.9 |
| Total Tier 1 Capital | 3,260.0 | 178.7 | 3,438.7 |
| Tier 2 | | | |
| General reserve for credit losses/collective provision (net of tax effect) | 169.3 | | 169.3 |
| Tier 2 capital instruments | 566.9 | | 566.9 |
| Total Tier 2 capital | 736.2 | | 736.2 |
| Total regulatory capital | 3,996.2 | 178.7 | 4,174.9 |
| Total risk weighted assets | 32,618.4 | | 32,618.4 |
| Capital adequacy ratios | | | |
| Common Equity Tier 1 | 8.73% | | 8.73% |
| Tier 1 | 9.99% | 0.55% | 10.54% |
| Tier 2 | 2.26% | | 2.26% |
| Total capital ratio | 12.25% | 0.55% | 12.80% |

5.4.6 Bendigo and Adelaide Bank's Level 2 Common Equity Tier 1 Capital Ratio

- Bendigo and Adelaide Bank's Level 2 Common Equity Tier 1 Capital Ratio as at 30 June 2014 on a Basel III basis was 8.73%.
- The Common Equity Tier 1 Capital Ratio as at 30 June 2014 as outlined above fully reflects the net impact of the approximately \$380 million of equity raised in conjunction with the acquisition of RFC as the equity was issued before 30 June 2014.
- As the RFC acquisition was completed on 1 July 2014, the risk weighted asset impact and other impacts on capital including the goodwill arising from the RFC acquisition will impact Bendigo and Adelaide Bank's capital position from 1 July 2014. Given this acquisition is significant to Bendigo and Adelaide Bank's Common Equity Tier 1 Capital Ratio, we have provided the pro-forma impact below.
- If the acquisition of RFC occurred on 30 June 2014, the Common Equity Tier 1 Capital Ratio based on provisional accounting estimates would have been 8.02% on a pro-forma basis.

- A Common Equity Tier 1 Capital Ratio of 8.02% would imply \$993.5 million of Common Equity Tier 1 Capital above the Capital Trigger Event Common Equity Tier 1 Capital Ratio level of 5.125%.
- The graph below illustrates Bendigo and Adelaide Bank's historical Common Equity Tier 1 Capital Ratio under APRA's relevant prudential standards.

Bendigo and Adelaide Bank's Level 2 Common Equity Tier 1 Capital Ratio¹⁵



Note: 8.02% at FY14 is pro-forma for the RFC acquisition

The above graph is for illustrative purposes only and does not indicate, guarantee or forecast Bendigo and Adelaide Bank's Common Equity Tier 1 Capital Ratio. The ratio may be higher or lower and may be impacted by unexpected events affecting Bendigo and Adelaide Bank's business, operations and financial condition.

5.5 Funding and liquidity approach

The principal source of funding for Bendigo and Adelaide Bank is, and is expected to continue to be, its retail deposit base. Management's target for retail funding remains at 75-80% of total funding. These deposits are traditional term and savings deposits sourced predominantly through the Group's retail network. Retail deposits provide a stable source of funding and the Group is committed to maintaining a strong retail liability base. The Group's funding strategy is to maintain the existing high levels of retail funding on balance sheet. In addition, we have set the following funding objectives:

- lengthening the duration of our liabilities;
- continuing to diversify our funding opportunities across a range of markets; and
- being an active participant in markets where funding opportunities exist and pricing is appropriate.

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

Liquidity risk is the risk that Bendigo and Adelaide Bank will be unable to meet its payment obligations when they fall due under normal and stressed circumstances.

Group Treasury is responsible for implementing liquidity risk management strategies in accordance with approved policies and adherence is monitored by the Asset and Liability Management Committee ("ALMAC") and the Board Risk Committee. This includes maintaining prudent levels of liquid reserves and a diverse range of funding options to meet daily, short-term and long-term liquidity requirements.

Liquidity scenarios are calculated under stressed and normal operating conditions to assist in anticipating cash flow needs and providing adequate reserves.

Bendigo and Adelaide Bank maintains a diverse portfolio of marketable securities that can be easily liquidated in the event of an unforeseen interruption of cash flow. The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to Bendigo and Adelaide Bank. The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities, set to reflect market conditions. Net liquid assets consist of cash, Australian Commonwealth government securities, State government securities, short term bank bills and certificates of deposit, and other securities that are highly rated, liquid and are repo-eligible as collateral with the RBA.

Bendigo and Adelaide Bank is subject to Prudential Standard APS 210 governing the regulatory requirements of prudent liquidity risk management. From 1 January 2015, APRA is adopting the Basel III liquidity requirement of compliance with a liquidity coverage ratio ("LCR"). Bendigo and Adelaide Bank is designated as a LCR scenario bank and as with all such regulated banks in Australia, has made application to APRA for use of a committed liquidity facility ("CLF"), which has yet to be sized and approved by APRA, to ensure compliance with the LCR requirement. Bendigo and Adelaide Bank expects to receive notification from APRA in the final quarter of calendar year 2014 of the CLF amount which will apply for the year beginning 1 January 2015.

15. Bendigo and Adelaide Bank's financial year denoted "FY" above, finishes on 30 June of each calendar year.

6. Investment Risks

This Section describes some of the potential risks associated with an investment in CPS2 and in Bendigo and Adelaide Bank.

The selection of risks has been based on an assessment of a combination of the probability of the risk occurring and the impact of the risk if it did occur. There is no guarantee or assurance that the importance of different risks will not change or other risks emerge. Before applying for CPS2, you should consider whether CPS2 are a suitable investment for you. There are risks associated with an investment in CPS2 and in Bendigo and Adelaide Bank, many of which are outside the control of Bendigo and Adelaide Bank and its Directors. These risks include those in this Section and other matters referred to in this Prospectus.

6.1 Risks associated with investing in CPS2

6.1.1 Not deposit liabilities

CPS2 are not:

- deposit liabilities of Bendigo and Adelaide Bank, or any other member of the Bendigo and Adelaide Bank Group;
- protected accounts for the purposes of the depositor protection provisions in Division 2 of Part II of the Banking Act or of the Financial Claims Scheme established under Division 2AA of Part II of the Banking Act; or
- guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction.

The investment performance of CPS2 is not guaranteed by Bendigo and Adelaide Bank or any other member of the Bendigo and Adelaide Bank Group.

6.1.2 Market price of CPS2

Bendigo and Adelaide Bank has applied for quotation of CPS2 on ASX, but Bendigo and Adelaide Bank is unable to forecast the market price and liquidity of the market for CPS2.

The market price of CPS2 may fluctuate due to various factors, including:

- investor perceptions;
- Australian and worldwide economic conditions;
- interest rates, credit margins and equity markets;
- movements in foreign exchange rates;
- movements in the market price of Ordinary Shares or senior or subordinated debt;
- Bendigo and Adelaide Bank's financial performance and position; and
- other factors that may affect that performance and position.

CPS2 may trade at a market price below the Issue Price. There is no guarantee that CPS2 will remain continuously quoted on ASX.

In recent years, markets have sometimes been more volatile. Volatility risk is the potential for fluctuations in the price of securities, sometimes markedly and over a short period. Investing in volatile conditions implies a greater level of volatility risk for investors than an investment in a more stable market.

You should carefully consider this additional volatility risk before deciding whether to make an investment in CPS2.

6.1.3 Liquidity

Although Bendigo and Adelaide Bank intends to have CPS2 quoted on ASX, there is no guarantee that a liquid market will develop for CPS2. The market for CPS2 may be less liquid than the market for Ordinary Shares or comparable securities issued by Bendigo and Adelaide Bank or other entities and may be volatile. The market price of CPS2 is likely to fluctuate and, if Holders wish to sell or otherwise transfer their CPS2 prior to Exchange, they may be unable to do so at a price acceptable to them, or at all, if insufficient liquidity exists in the market for CPS2.

CPS2 are expected to Convert into Ordinary Shares on 30 November 2022 (subject to certain conditions being satisfied) unless CPS2 are otherwise Exchanged or Written Off on or before that date. Where CPS2 are Converted, there may be no liquid market for Ordinary Shares at the time of Conversion or the market for Ordinary Shares may be less liquid than that for comparable securities issued by other entities at the time of Conversion.

6.1.4 Exposure to Bendigo and Adelaide Bank Group's financial performance and position

If Bendigo and Adelaide Bank Group's financial performance or position declines, or if market participants anticipate that it may decline, an investment in CPS2 could decline in value even if CPS2 have not been Converted. Accordingly, when you evaluate whether to invest in CPS2 you should carefully evaluate the investment risks associated with an investment in Bendigo and Adelaide Bank – see Section 6.2.

6.1.5 Changes in Dividend Rate

The Dividend Rate used to calculate the Dividends payable on CPS2 is based on a floating rate plus a fixed Margin.

The Dividend Rate is calculated for each Dividend Period by reference to the Bank Bill Rate, which is influenced by a number of factors and varies over time. The Dividend Rate will fluctuate (both increasing and decreasing) over time as a result of movements in the Bank Bill Rate – see Sections 2.3.2 and 2.3.3

As the Dividend Rate fluctuates, there is a risk that it may become less attractive when compared to the rates of return available on comparable securities issued by Bendigo and Adelaide Bank or other entities.

6.1.6 Dividends may not be paid

There is a risk that Dividends will not be paid. The CPS2 Terms do not oblige Bendigo and Adelaide Bank to pay Dividends.

The payment of Dividends is subject to the Dividend Payment Tests – see Section 2.3.7. The Dividend Payment Tests require, among other things, that the Directors, at their absolute discretion, resolve to pay a Dividend. There is a risk that one or more elements of the Dividend Payment Tests will not be satisfied, and there is therefore a risk that a Dividend may not be paid in full or at all.

Further, the payment of Dividends is subject to Bendigo and Adelaide Bank's prudential capital ratios being above those required from time to time by APRA after the payment.

The CPS2 Terms contain no events of default and accordingly, failure to pay a Dividend when scheduled will not constitute an event of default. Further, in the event that Bendigo and Adelaide Bank does not pay a Dividend when scheduled, a Holder:

- has no right to apply for Bendigo and Adelaide Bank to be wound up or placed in administration, or to cause a receiver, or a receiver and manager, to be appointed in respect of Bendigo and Adelaide Bank merely on the grounds that Bendigo and Adelaide Bank does not or may become unable to pay a Dividend when scheduled; and
- will not be entitled to set-off the amount of the unpaid Dividend against any amount of any nature owed by the Holder to Bendigo and Adelaide Bank (including but not limited to any amount due on a winding up of Bendigo and Adelaide Bank).

CPS2 rank in respect of payment of Dividends:

- senior to Ordinary Shares;
- equally and without preference among CPS2; and
- equally with all Equal Ranking Instruments and other securities and instruments that Bendigo and Adelaide Bank has or may issue under the Constitution or that by their terms rank equally with respect to priority of payment of dividends (other than in a winding up).

Dividends are non-cumulative and therefore if a Dividend is not paid Holders will have no recourse whatsoever to payment from Bendigo and Adelaide Bank and will not receive payment of those Dividends.

However, if Bendigo and Adelaide Bank does not pay a Dividend in full on a Dividend Payment Date, then the Dividend Restriction applies to Bendigo and Adelaide Bank (subject to certain exceptions) unless the Dividend is paid in full within three Business Days of that date – see Section 2.3.8.

In addition, Bendigo and Adelaide Bank may be prevented from paying a Dividend by the requirements of the Corporations Act, which states that, in order to pay a Dividend, Bendigo and Adelaide Bank's assets must exceed its liabilities by an amount sufficient for payment of the Dividend, that payment must be fair and reasonable to Shareholders as a whole and payment of the Dividend must not materially prejudice Bendigo and Adelaide Bank's ability to pay its creditors. Non-payment of Dividends on CPS2 will not restrict Bendigo and Adelaide Bank's ability to pay dividends or distributions on other securities, other than Ordinary Shares.

Changes in regulations applicable to Bendigo and Adelaide Bank may impose additional requirements which prevent Bendigo and Adelaide Bank from paying a Dividend in additional circumstances, including the capital conservation buffer (expected from 1 January 2016), which restricts the payment of Dividends when Bendigo and Adelaide Bank's regulatory capital levels fall below a certain level.

6.1.7 Dividends may not be fully franked

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

If any Dividend payment is unfranked or not fully franked, then Holders will be entitled to an additional cash payment, reflecting the fact that the Dividend payment has been paid out of profits which have not been subject to tax. This payment is subject to the Dividend Payment Tests – see Section 2.3.7.

The value and availability of franking credits to a Holder will differ depending on the Holder's particular tax circumstances. Holders should be aware that the potential value of any franking credits does not accrue at the same time as the receipt of any cash Dividend. Holders should also be aware that the ability to use the franking credits, either as an offset to a tax liability or by claiming a refund after the end of the income year, will depend on the individual tax position of each Holder. Holders should also refer to the Australian taxation summary in Section 7 and seek professional advice in relation to their tax position.

6.1.8 Dividend payments on CPS2 may be restricted by the terms of similar securities

The terms of Bendigo and Adelaide Bank's other outstanding and future securities could limit its ability to make payments on CPS2. If Bendigo and Adelaide Bank does not make payments on other securities, payments may not be permitted to be made in respect of CPS2. The dividend payment dates on Bendigo and Adelaide Bank's other securities may differ from the Dividend Payment Dates for CPS2. Further, the payment tests applying to other securities (whether currently outstanding or issued in the future) may be different to the Dividend Payment Tests for CPS2. Accordingly, Bendigo and Adelaide Bank may not be permitted to make a payment on another security in circumstances where it would otherwise be permitted to make a payment on CPS2. In these circumstances, the dividend restrictions on the other securities may then apply, preventing Bendigo and Adelaide Bank from making a payment on CPS2. Similarly, Bendigo and Adelaide Bank may not be permitted to make a payment on CPS2 in circumstances where the payment tests on other securities have been passed.

If dividend restrictions for another security apply to payments on CPS2, Bendigo and Adelaide Bank may not be able to pay Dividends when scheduled to do so under the CPS2 Terms. Bendigo and Adelaide Bank is not restricted from issuing other securities of this kind or agreeing in the terms of issue of other securities additional or different payment tests or dividend restrictions.

6.1.9 The Dividend Restriction applies in limited circumstances

The Dividend Restriction applies only to restrict the payment of dividends in respect of Ordinary Shares. It does not apply to restrict the payment of dividends in respect of securities ranking equally with or junior to CPS2 (other than Ordinary Shares). Accordingly, a failure to make a scheduled payment on CPS2 may not restrict the making of payments in respect of Equal Ranking Instruments or instruments that may in the future rank equally with CPS2. Further, the restriction on CPS2 only applies until, and including, the next Dividend Payment Date. The dates for dividend payments with respect to Ordinary shares are determined by Bendigo and Adelaide Bank in its discretion and do not bear a fixed relationship to the Dividend Payment Dates for CPS2. Accordingly, as soon as the Dividend Restriction ceases to apply (as will be the case if the next scheduled Dividend on CPS2 is paid or all CPS2 have been Converted or Redeemed) Bendigo and Adelaide Bank will not be restricted from paying a dividend on its Ordinary Shares.

6.1.10 Fluctuation in Ordinary Share price

The number of Ordinary Shares that Holders receive on Conversion is calculated by reference to a VWAP for Ordinary Shares during a period before Conversion. The VWAP during the relevant period before Conversion may differ from the market price for Ordinary Shares on or after the date of Conversion. This means that the value of Ordinary Shares received may be more or less than anticipated when they are issued or thereafter.

In particular, on Conversion, other than Conversion resulting from a Capital Trigger Event or a Non-Viability Trigger Event (see Section 2.6), Holders will receive approximately \$101.01 worth of Ordinary Shares per CPS2 (based on the VWAP during the 20 Business Days before the relevant conversion date or a specified period prior to such other date on which CPS2 are Converted, and, as regards the Maximum Conversion Number, the VWAP during the 20 Business days before the Issue Date).

The market price of Ordinary Shares may fluctuate due to various factors, including investor perceptions, Australian and worldwide economic conditions, interest rates, credit margins, equity markets, movements in foreign exchange rates, Bendigo and Adelaide Bank's financial performance and position and other factors that may affect that performance and position, and may also be affected by the actual or prospective Conversion of CPS2 – see Sections 2.4 to 2.7.

As a result, the value of Ordinary Shares received upon Conversion may be greater than or less than \$101.01 per CPS2 when they are issued or at any time after that, and could be less than the Issue Price. Holders receiving Ordinary Shares on Conversion may not be able to sell those Ordinary Shares at the price on which the Conversion calculation was based, or at all. In relation to Conversion on account of a Capital Trigger Event or Non-Viability Trigger Event – see further detail in Section 2.6.

The Ordinary Shares held as a result of any Conversion will, following Conversion, rank equally with existing Ordinary Shares. Accordingly, the ongoing value of any Ordinary Shares received upon Conversion will depend upon the market price of Ordinary Shares after the date on which CPS2 are Converted. That market price is also subject to the factors outlined above and may also be volatile depending on the securities markets conditions at that time.

Bendigo and Adelaide Bank Ordinary Share Price from January 2004 to September 2014



Source: IRESS. Note: IRESS has not consented to the use of this data in the Prospectus

6.1.11 CPS2 are perpetual and Mandatory Conversion may not occur on the Scheduled Mandatory Conversion Date or at all

CPS2 are scheduled to Convert into Ordinary Shares on 30 November 2022 (subject to certain conditions being satisfied or unless Exchanged earlier). However, there is a risk that Conversion will not occur because the Mandatory Conversion Conditions are not satisfied due to a large fall in the Ordinary Share price relative to the Issue Date VWAP, or where a Delisting Event applies.

The Ordinary Share price may be affected by transactions affecting the Ordinary Share capital of Bendigo and Adelaide Bank, such as rights issues, placements, returns of capital, certain buy-backs and other corporate actions. However, the Issue Date VWAP is adjusted only for transactions by way of pro rata bonus issues and a reorganisation of Ordinary Shares as described in clauses 8.5 and 8.6 of the CPS2 Terms and not for other transactions, including rights issues, placements, returns of capital, buy-backs or special dividends.

The CPS2 Terms do not limit the transactions which Bendigo and Adelaide Bank may undertake with respect to its Ordinary Share capital and any such action may affect whether Conversion will occur and the Conversion Number of Ordinary Shares and may adversely affect the position of Holders.

If Mandatory Conversion does not occur on the Scheduled Mandatory Conversion Date, Mandatory Conversion would then occur on the next Dividend Payment Date on which all of the Mandatory Conversion Conditions are satisfied unless CPS2 are otherwise Converted or Redeemed on or before that date.

If Mandatory Conversion does not occur on a possible Mandatory Conversion Date and CPS2 are not otherwise Converted or Redeemed, Dividends may continue to be paid on CPS2, subject to the Dividend Payment Tests.

CPS2 are a perpetual instrument. If the Ordinary Share price deteriorates significantly and never recovers, it is possible that the Mandatory Conversion Conditions will never be satisfied and, if this occurs, unless CPS2 are otherwise Converted (see Section 6.1.12 below), CPS2 will never Convert except as a result of a Capital Trigger Event or a Non-Viability Trigger Event.

6.1.12 Exchange is at Bendigo and Adelaide Bank's option

Bendigo and Adelaide Bank may (subject to APRA's prior written approval) elect to Exchange some or all CPS2 on the Optional Exchange Date or on the occurrence of a Tax Event or a Regulatory Event. Bendigo and Adelaide Bank may also elect to Exchange by way of Conversion all (but not some) CPS2 after an Acquisition Event. In addition, Bendigo and Adelaide Bank must (subject to certain conditions) Convert all (but not some) CPS2 on the occurrence of a Change of Control Event. Holders have no right to request an Exchange.

Any Exchange at Bendigo and Adelaide Bank's option may occur on dates not previously contemplated by Holders, which may be disadvantageous in light of market conditions or their individual circumstances and may not coincide with their individual preference in terms of timing. This also means that the period for which Holders will be entitled to the benefit of the rights attaching to CPS2 (such as Dividends) is unknown.

Subject to certain conditions, Bendigo and Adelaide Bank also has in many cases discretion to elect which Exchange Method or combination of Exchange Methods will apply to an Exchange and where a combination

of Exchange Methods is selected, to which CPS2 and Holders the Exchange Method will apply. The method chosen by Bendigo and Adelaide Bank may be disadvantageous to Holders and may not coincide with their individual preference in terms of whether they receive Ordinary Shares or cash on the relevant date.

For example, if APRA approves an election by Bendigo and Adelaide Bank to Redeem CPS2, Holders will receive cash equal to \$100 per CPS2 rather than Ordinary Shares and accordingly, they would not benefit from any subsequent increases in the Ordinary Share price after the Exchange occurs. In addition, where Holders receive cash on Redemption, the rate of return at which they could reinvest their funds may be lower than the Dividend Rate at the time. Where Holders receive Ordinary Shares on Conversion, they will have the same rights as other holders of Ordinary Shares, which are different to the rights attaching to CPS2.

Further, where Bendigo and Adelaide Bank requires APRA's prior written approval for Exchange, Holders should not expect that APRA will give its approval to any Exchange.

6.1.13 Exchange by Bendigo and Adelaide Bank is subject to certain events occurring

If Bendigo and Adelaide Bank elects to Exchange CPS2 by way of Conversion, Redemption or Resale, APRA's prior written approval is required. Holders should not expect that APRA will give its approval to any Exchange.

The choice of Conversion as the Exchange Method is subject to the level of the Ordinary Share price on the second Business Day before the date on which an Exchange Notice is expected to be sent by Bendigo and Adelaide Bank (or if trading in Ordinary Shares did not occur on that date, the Business Day prior to that date on which trading in Ordinary Shares occurred). If the VWAP on that date is less than or equal to 22% of the Issue Date VWAP, Bendigo and Adelaide Bank is not permitted to choose Conversion as the Exchange Method. Also, if a Delisting Event applies, Bendigo and Adelaide Bank is not permitted to choose Conversion as the Exchange Method.

Once Bendigo and Adelaide Bank has elected Conversion as the Exchange Method by giving an Exchange Notice, the conditions to Conversion on the Exchange Date are that the Second Mandatory Conversion Condition and the Third Mandatory Conversion Condition must both be satisfied in respect of the Exchange Date as if the Exchange Date were a possible Mandatory Conversion Date.

If the requirements for Conversion on the Exchange Date are not satisfied, Bendigo and Adelaide Bank will notify Holders and the Conversion will be deferred until the next Dividend Payment Date on which the requirements for Conversion would be satisfied if that Dividend Payment Date were a possible Mandatory Conversion Date.

The choice of Redemption as the Exchange Method is subject to the condition that APRA is satisfied that either:

- the CPS2 the subject of the Exchange are replaced concurrently or beforehand with Relevant Preference Securities of the same or better quality or Ordinary Shares and the replacement of CPS2 is done under conditions that are sustainable for Bendigo and Adelaide Bank's income capacity; or
- having regard to the projected capital position of Bendigo and Adelaide Bank Group, that Bendigo and Adelaide Bank does not have to replace the CPS2 the subject of the Redemption.

Bendigo and Adelaide Bank is not permitted to elect to Redeem or Resell CPS2 on account of a Change of Control Event.

6.1.14 Conversion conditions

The only conditions to Conversion are, in the case of Mandatory Conversion, the Mandatory Conversion Conditions and, in the case of Conversion following a Change of Control Event, a Tax Event, a Regulatory Event or on the Optional Exchange Date, the conditions expressly applicable to such Conversion under clauses 6.5 and 7.5 of the CPS2 Terms. No other conditions will affect the Conversion except as expressly provided by the CPS2 Terms.

Although one condition to Conversion is that a Delisting Event does not apply, other events and conditions may affect the ability of Holders to trade or dispose of the Ordinary Shares issued on Conversion e.g. the willingness or ability of ASX to accept the Ordinary Shares issued on Conversion for quotation or any practical issues which affect that quotation, any disruption to the market for the Ordinary Shares or to capital markets generally, the availability of purchasers for Ordinary Shares and any costs or practicalities associated with trading or disposing of Ordinary Shares at that time.

Further, as outlined in Section 2.6, Conversion following a Capital Trigger Event or a Non-Viability Trigger Event is not subject to any conditions.

6.1.15 Conversion on account of a Capital Trigger Event or a Non-Viability Trigger Event

Bendigo and Adelaide Bank must immediately Convert CPS2 into Ordinary Shares if at any time a Capital Trigger Event or a Non-Viability Trigger Event occurs. This could be at any time. Accordingly, any Conversion on account of a Capital Trigger Event or a Non-Viability Trigger Event may occur on dates not previously contemplated by Holders, which may be disadvantageous in light of market conditions or their individual circumstances and may not coincide with their individual preference in terms of timing.

A Capital Trigger Event occurs if the Common Equity Tier 1 Capital Ratio of Bendigo and Adelaide Bank (on a Level 1 basis) or the Bendigo and Adelaide Bank Group (on a Level 2 basis) is equal to or less than 5.125%.

A Non-Viability Trigger Event occurs if APRA has provided a written determination to Bendigo and Adelaide Bank that the conversion or write-off of Relevant Preference Securities is necessary because either:

- without the conversion or write-off, APRA considers that Bendigo and Adelaide Bank would become non-viable; or
- without a public sector injection of capital into, or equivalent capital support with respect to, Bendigo and Adelaide Bank, APRA considers that Bendigo and Adelaide Bank would become non-viable.

A Capital Trigger Event or a Non-Viability Trigger Event may require Conversion of all CPS2 or such lesser number as is needed to remedy that event.

However, if a Non-Viability Trigger Event occurs as a result of APRA deeming that a public sector injection of capital into, or equivalent support with respect to, Bendigo and Adelaide Bank is necessary, all (and not only some) Relevant Preference Securities must be immediately Converted into Ordinary Shares or Written Off.

If less than all CPS2 and other Relevant Preference Securities are required to be Converted, Bendigo and Adelaide Bank must determine which CPS2 will Convert and in doing so must endeavour to treat Holders and holders of other Relevant Preference Securities on an approximately proportionate basis, but may discriminate to take account of the effect on marketable parcels, other logistical considerations and the need to effect conversions immediately. Accordingly, should a Capital Trigger Event or a Non-Viability Trigger Event occur and only some of the CPS2 are required to be Converted, not all Holders may have their CPS2 Converted into Ordinary Shares.

6.1.15.1 Capital Trigger Event

The Common Equity Tier 1 Capital Ratio may be significantly impacted by a number of factors, including factors which affect the business, operation and financial condition of Bendigo and Adelaide Bank. Accordingly, there is a risk that Bendigo and Adelaide Bank's Common Equity Tier 1 Capital Ratio will fall to 5.125% or below and that as a result, CPS2 will Convert into Ordinary Shares before the Scheduled Mandatory Conversion Date.

6.1.15.2 Non-Viability Trigger Event

APRA has not provided guidance as to how it would determine non-viability. Non-viability could be expected to include serious impairment of Bendigo and Adelaide Bank's financial position and insolvency; however, it is possible that APRA's definition of non-viable may not necessarily be confined to solvency or capital measures and APRA's position on these matters may change over time. As the occurrence of a Non-Viability Trigger Event is at the discretion of APRA, there can be no assurance given as to the factors and circumstances that might give rise to this event.

Non-viability may be significantly impacted by a number of factors, including factors which affect the business, operation and financial condition of Bendigo and Adelaide Bank. For instance, systemic and non-systemic macro-economic, environmental and operational factors, globally and in Australia, may affect the viability of Bendigo and Adelaide Bank.

6.1.15.3 Effect of a Capital Trigger Event or a Non-Viability Trigger Event

If a Capital Trigger Event or a Non-Viability Trigger Event occurs:

- Bendigo and Adelaide Bank must immediately Convert all (or, if less than all CPS2 are required to be Converted, some) CPS2 on issue into the Conversion Number of Ordinary Shares for each CPS2 required to be Converted;
- Conversion is immediate and from the Capital Trigger Conversion Date or the Non-Viability Conversion Date (as applicable), Bendigo and Adelaide Bank will treat Holders as having been issued the Conversion Number of Ordinary Shares. Bendigo and Adelaide Bank expects any ASX trades in CPS2 that have not settled on the date a Capital Trigger Event or a Non-Viability Trigger Event occurs will continue to settle in accordance with the normal ASX T+3 settlement, although Bendigo and Adelaide Bank expects the seller will be treated as having delivered, and the buyer will be treated as having acquired, the Conversion Number of Ordinary Shares into which CPS2 have been Converted as a result of the occurrence of the Capital Trigger Event or the Non-Viability Trigger Event;
- Bendigo and Adelaide Bank may make such decisions with respect to the identity of Holders as at the Capital Trigger Conversion Date or the Non-Viability Conversion Date as may be necessary or desirable to ensure Conversion occurs in an orderly manner, including disregarding any transfers of CPS2 that have not been settled or registered at that time, provided that any such decision does not prevent, impede or delay the immediate Conversion of the relevant number of CPS2;
- Conversion is not subject to the Mandatory Conversion Conditions or any other conditions being satisfied;
- Holders will not receive prior notice of Conversion on account of a Capital Trigger Event or Non-Viability Trigger Event and will not have any rights to vote in respect of any such Conversion; and
- the Ordinary Shares issued on Conversion on account of a Capital Trigger Event or Non-Viability Trigger Event may not be quoted at the time of issue, or at all.

The number of Ordinary Shares a Holder will receive on Conversion following a Capital Trigger Event or a Non-Viability Trigger Event is calculated in accordance with the Conversion Number formula which provides for a calculation based on a discounted five Business Day VWAP but cannot be more than the Maximum Conversion Number. Accordingly, this may result in a Holder receiving significantly less than \$101.01 worth of Ordinary Shares per CPS2 and suffering loss as a result. This is because:

- the number of Ordinary Shares is limited to the Maximum Conversion Number and this number of Ordinary Shares may have a value of less than \$101.01;
- where the number of shares to be issued is calculated by reference to the five Business Day VWAP, the VWAP during the five Business Days before the Capital Trigger Conversion Date or the Non-Viability Conversion Date may differ from the Ordinary Share price on or after that date. In particular, if Ordinary Shares are suspended from ASX trading at the Capital Trigger Conversion Date or the Non-Viability Conversion Date, the VWAP may be based wholly or partly on trading days which occurred a significant period of time prior to the date of the occurrence of a Capital Trigger Event or a Non-Viability Trigger Event;
- the Ordinary Shares received on Conversion, as well as Bendigo and Adelaide Bank's Ordinary Shares generally, may not be listed or may not be able to be sold at prices representing their value based on the VWAP; and
- as noted in Section 2.5.7, the Maximum Conversion Number may be adjusted to reflect a reorganisation of Ordinary Shares or a pro rata bonus issue of Ordinary Shares. However, no adjustment will be made to it on account of other transactions which may affect the price of Ordinary Shares, including for example rights issues, returns of capital, buy-backs or special dividends. The CPS2 Terms do not limit the transactions that Bendigo and Adelaide Bank may undertake with respect to its Ordinary Share capital and any such action may increase the risk that Holders receive only the Maximum Conversion Number and so may adversely affect the position of Holders.

6.1.15.4 Inability Event

If, following a Capital Trigger Event or a Non-Viability Trigger Event, Bendigo and Adelaide Bank is prevented by applicable law or order of any court or action of any government authority (including regarding the insolvency, winding-up or other external administration of Bendigo and Adelaide Bank) or by any other reason from Converting CPS2 (within five Business Days after the Capital Trigger Conversion Date or the Non-Viability Conversion Date) which would otherwise be Converted (an "Inability Event"), CPS2 will not be Converted but instead Written Off. This means that the rights of a Holder in respect of each CPS2 in respect of dividends and returns of capital will be as follows:

- if a dividend is paid on Ordinary Shares, the right to a non-cumulative dividend in respect of the CPS2 in an amount determined as if the CPS2 were a number of Ordinary Shares equal to the Conversion Number; or
- if a winding-up of Bendigo and Adelaide Bank occurs, broadly equivalent to the rights in respect of dividends and returns of capital a holder of the Conversion Number of Ordinary Shares would have had if the Conversion had occurred.

However CPS2 in these circumstances are not identical to Ordinary Shares, do not have the voting rights of Ordinary Shares and may not be able to be sold at the same price as the equivalent number of Ordinary Shares or at all. The value of these rights may be adversely affected by corporate transactions entered into by Bendigo and Adelaide Bank (such as share splits or bonus issues).

The laws under which an Inability Event may arise include laws relating to the insolvency, winding-up or other external administration of Bendigo and Adelaide Bank and laws restricting the acquisition or holding of Ordinary Shares by individual persons and (for foreign holders) foreign securities laws. Those laws and the grounds on which a court or government authority may make orders preventing the Conversion of CPS2 may change and the change may be adverse to the interests of Holders.

6.1.16 Conversion on a Change of Control Event

CPS2 are issued by Bendigo and Adelaide Bank, which, as an ASX-listed company, may be affected by merger and acquisition activity, including the possibility of being acquired by, or merged with, another company or group of companies, potentially resulting in a change of control.

Where this corporate activity constitutes a Change of Control Event, as defined in the CPS2 Terms, Bendigo and Adelaide Bank is required, subject to satisfaction of certain conditions, to Convert all CPS2 in accordance with clause 7 of the CPS2 Terms. Conversion may therefore occur on dates not previously contemplated by Holders, which may be disadvantageous in light of market conditions or their individual circumstances and may not coincide with their individual preference in terms of timing. This also means that the period for which Holders will be entitled to the benefit of the rights attaching to CPS2 (such as Dividends) is unknown.

6.1.17 Restrictions on rights and ranking in a winding-up of Bendigo and Adelaide Bank

CPS2 are issued by Bendigo and Adelaide Bank under the CPS2 Terms. A Holder has no claim on Bendigo and Adelaide Bank in respect of CPS2 except as provided in the CPS2 Terms. CPS2 are unsecured and perpetual in nature.

In the event of a winding-up of Bendigo and Adelaide Bank, and assuming CPS2 have not been Exchanged and are not required to be Converted due to a Capital Trigger Event or a Non-Viability Trigger Event, Holders will be entitled to claim for the Liquidation Sum for each CPS2. This is an amount for each CPS2 equal to \$100 in respect of its Issue Price and any Dividend determined by the Directors to be paid but unpaid.

The claim for the Liquidation Sum ranks:

- ahead of Ordinary Shares;
- equally and without preference with other CPS2;
- equally with Equal Ranking Instruments; and
- junior to the claims of all creditors of Bendigo and Adelaide Bank, including depositors, other than creditors expressed to rank equally with CPS2 in a winding-up.

However, where CPS2 are required to be Converted on account of a Capital Trigger Event or a Non-Viability Trigger Event and Bendigo and Adelaide Bank is prevented by applicable law or order of any court or the action of any government authority or any other reason from Converting CPS2 (within five Business Days after the Capital Trigger Conversion Date or the Non-Viability Conversion Date) and, accordingly, CPS2 have been Written Off (as described in Section 2.6.7 and clause 8.14 of the CPS2 Terms), the Liquidation Sum will be equal to the amount which would have been paid in respect of CPS2 out of the surplus available to shareholders in a winding-up as if CPS2 were the Conversion Number of Ordinary Shares, that Conversion Number being determined as if CPS2 had Converted on the Capital Trigger Conversion Date or the Non-Viability Conversion Date (as applicable) (and in any case not exceeding the Maximum Conversion Number).

If there is a shortfall of funds on a winding-up of Bendigo and Adelaide Bank to pay all amounts ranking senior to and equally with CPS2, there is a significant risk that Holders will not receive all or some of the Liquidation Sum.

Although CPS2 may pay a higher rate of dividend than comparable securities and instruments which are not subordinated, there is a significant risk that a Holder will lose all or some of their investment should Bendigo and Adelaide Bank become insolvent.

6.1.18 Changes to credit ratings

Bendigo and Adelaide Bank's cost of funds, margins, access to capital markets and competitive position and other aspects of its performance may be affected by its credit ratings (including any long-term credit ratings or the ratings assigned to any class of its securities). Credit rating agencies may withdraw, revise or suspend credit ratings or change the methodology by which securities are rated. Even though CPS2 will not be rated, such changes could adversely affect the market price, liquidity and performance of CPS2 or Ordinary Shares received on Conversion.

6.1.19 Regulatory classification and prudential supervision

APRA has confirmed that CPS2 will be eligible for inclusion as Additional Tier 1 Capital under APRA's Prudential Standard APS 111.

However, if the Directors subsequently determine that Bendigo and Adelaide Bank is not or will not be entitled to treat some or all CPS2 as Additional Tier 1 Capital due to an amendment to, clarification of or change in a law or regulation or an official administrative pronouncement or action or judicial decision interpreting or applying such laws or regulations (including a change in the Prudential Standards) which occurs on or after the Issue Date (and which Bendigo and Adelaide Bank does not expect, as at the Issue Date, may come into effect), Bendigo and Adelaide Bank may decide that a Regulatory Event has occurred. This will allow Exchange of all or some CPS2 on issue at the option of Bendigo and Adelaide Bank (subject to APRA's prior written approval of any Exchange by way of Conversion, Resale or Redemption). For the risks attaching to Bendigo and Adelaide Bank's discretion to Exchange in certain specified circumstances – see Section 6.1.12.

Any such Exchange at Bendigo and Adelaide Bank's option may occur on dates not previously contemplated by Holders, which may be disadvantageous in light of market conditions or their individual circumstances and may not coincide with their individual preference in terms of timing. This also means that the period for which Holders will be entitled to the benefit of the rights attaching to CPS2 (such as Dividends) is unknown.

The Exchange Method chosen by Bendigo and Adelaide Bank may also be disadvantageous to Holders and may not coincide with their individual preference in terms of whether they receive Ordinary Shares or cash on the relevant date.

6.1.20 Australian tax consequences

A general outline of the tax consequences of investing in CPS2 for certain potential investors who are Australian residents for tax purposes is set out in the Australian taxation summary in Section 7. This discussion is in general terms and is not intended to provide specific advice addressing the circumstances of any particular potential investor.

Accordingly, potential investors should seek independent advice concerning their own individual tax position.

If a change is made in Australian tax law, an administrative or judicial pronouncement or ruling, or a challenge in relation to CPS2, and that change or challenge leads to a more than insubstantial risk that:

- any Dividend would not be frankable;
- there would be a more than insignificant increase in Bendigo and Adelaide Bank's costs in relation to CPS2 being on issue; or
- where a NOHC Event has occurred, Bendigo and Adelaide Bank would not be regarded as being a member of a tax consolidated group of which an Approved NOHC becomes the head company,

then Bendigo and Adelaide Bank is entitled to Exchange all or some CPS2 (subject to APRA's prior written approval where required) – see Section 2.4.

If the corporate tax rate was to change, the cash amount of Dividends and the amount of any franking credit would change, but if the Dividend is fully franked, the sum of the cash amount of the Dividend and the franking credit attached to it should be the same as that sum would have been if the corporate tax rate had not changed.

Bendigo and Adelaide Bank has applied for a class ruling from the Australian Taxation Office, seeking confirmation of certain Australian tax consequences for Holders as discussed in the Australian taxation summary in Section 7. The issue of any class ruling is expected by the end of October 2014.

6.1.21 Accounting standards

New or amendments to accounting standards issued by either the International Accounting Standards Board or Australian Accounting Standards Board may affect the reported earnings and financial position of Bendigo and Adelaide Bank in future financial periods. This may adversely affect the ability of Bendigo and Adelaide Bank to pay Dividends.

6.1.22 Future issues or redemptions of securities by Bendigo and Adelaide Bank

The CPS2 Terms do not in any way restrict Bendigo and Adelaide Bank from issuing further securities or from incurring further indebtedness. Bendigo and Adelaide Bank's obligations under CPS2 rank subordinate and junior in right of payment and in a winding-up to Bendigo and Adelaide Bank's obligations to holders of senior ranking securities and instruments, and all creditors, including subordinated creditors (other than creditors whose claims are subordinated to or rank equally with or behind CPS2). Accordingly, Bendigo and Adelaide Bank's obligations under CPS2 will not be satisfied unless it can satisfy in full all of its other obligations ranking senior to CPS2.

Bendigo and Adelaide Bank may in the future issue securities that:

- rank for dividends or payments of capital (including on the winding-up of Bendigo and Adelaide Bank) equal with, behind or ahead of CPS2;
- have the same or different dividend, interest or distribution rates as those for CPS2;
- have payment tests and dividend restrictions or other covenants which affect CPS2 (including by restricting circumstances in which Dividends can be paid or CPS2 can be Redeemed); or
- have the same or different terms and conditions as CPS2.

Bendigo and Adelaide Bank may incur further indebtedness and may issue further securities including further Relevant Preference Securities before, during or after the issue of CPS2.

An investment in CPS2 carries no right to participate in any future issue of securities (whether common equity, preference shares, subordinated or senior debt or otherwise) by Bendigo and Adelaide Bank.

No prediction can be made as to the effect, if any, which the future issue of securities by Bendigo and Adelaide Bank may have on the market price or liquidity of CPS2 or of the likelihood of Bendigo and Adelaide Bank making payments on CPS2.

Similarly, the CPS2 Terms do not restrict any member of the Bendigo and Adelaide Bank Group from redeeming, buying back or undertaking a reduction of capital or otherwise repaying its other securities (whether existing securities or those that may be issued in the future), other than to the extent the Dividend Restriction applies or insofar as Holders have a right to vote on the relevant matter under the CPS2 Terms (such as in respect of a buy back or reduction of capital of Bendigo and Adelaide Bank).

Bendigo and Adelaide Bank may redeem or otherwise repay existing securities including existing Equal Ranking Instruments or junior ranking Tier 1 Capital securities before, during or after the issue of CPS2. An investment in CPS2 carries no right to be redeemed or otherwise repaid at the same time as Bendigo and Adelaide Bank redeems or otherwise repays other securities (whether common equity, preference shares, subordinated or senior debt or otherwise).

No prediction can be made as to the effect, if any, which the future redemption or repayment by Bendigo and Adelaide Bank of existing securities may have on the market price or liquidity of CPS2 or on Bendigo and Adelaide Bank's financial position or performance.

6.1.23 Approved NOHC Event

Certain events which would otherwise constitute Acquisition Events are categorised under the CPS2 Terms as Approved NOHC Events. Where an Approved NOHC Event occurs and certain other conditions are satisfied, the Approved NOHC Event will not trigger Conversion of CPS2 but will instead allow Bendigo and Adelaide Bank to make amendments to substitute the Approved NOHC as the issuer of the ordinary shares issued on Conversion and will permit Bendigo and Adelaide Bank to make certain other amendments to the CPS2 Terms. Accordingly, potential investors should be aware that, if an Approved NOHC Event occurs and a substitution of the issuer of the ordinary shares on Conversion is effected under the CPS2 Terms, Holders will be obliged to accept the Approved NOHC ordinary shares and will not receive Ordinary Shares on Conversion.

Potential investors should also be aware that Holders may not have a right to vote on any proposal to approve, implement or give effect to a NOHC Event.

Bendigo and Adelaide Bank has made no formal decision to implement a NOHC. Following an Approved NOHC Event, Bendigo and Adelaide Bank would continue to be regulated by APRA.

However, depending on the structure of the acquirer following an Approved NOHC Event and the capital framework which APRA determines to apply to it, the composition of Bendigo and Adelaide Bank's capital measurement levels may be affected, which in turn may affect the likelihood of Bendigo and Adelaide Bank having sufficient available funds to enable Dividends to be paid on CPS2.

After an Approved NOHC Event, Holders will remain preference shareholders in Bendigo and Adelaide Bank with the same rights to dividends and to payment in a winding-up of Bendigo and Adelaide Bank as before the Approved NOHC Event, but on Conversion, Holders will receive ordinary shares in the Approved NOHC and not Ordinary Shares in Bendigo and Adelaide Bank. CPS2 will remain quoted on ASX, but Bendigo and Adelaide Bank's Ordinary Shares will cease to be quoted.

Where an Approved NOHC Event is accompanied by a transfer of assets from Bendigo and Adelaide Bank or a subsidiary to the Approved NOHC or another subsidiary of the Approved NOHC, Bendigo and Adelaide Bank may as a result have reduced assets which may affect its credit rating and the likelihood Holders will receive their claims in full if Bendigo and Adelaide Bank is wound up. Holders do not have any claim on the assets of the Approved NOHC or any other subsidiary of the Approved NOHC other than following Conversion as a holder of ordinary shares in the Approved NOHC.

6.1.24 Powers of an ADI statutory manager

In certain circumstances APRA may appoint a statutory manager to take control of the business of an ADI, such as Bendigo and Adelaide Bank. Those circumstances are defined in the Banking Act to include:

- where the ADI informs APRA that it is likely to become unable to meet its obligations, or is about to suspend payment;
- where APRA considers that, in the absence of external support:
 - the ADI may become unable to meet its obligations;
 - the ADI may suspend payment;
 - it is likely that the ADI will be unable to carry on banking business in Australia consistently with the interests of its depositors; or
 - it is likely that the ADI will be unable to carry on banking business in Australia consistently with the stability of the financial system in Australia;
- the ADI becomes unable to meet its obligations or suspends payment; or
- where, in certain circumstances, the ADI is in default of compliance with a direction by APRA to comply with the Banking Act or regulations made under it and the Federal Court authorises APRA to assume control of the ADI's business.

The powers of an ADI statutory manager include the power to alter an ADI's constitution, to issue, cancel or sell shares (or rights to acquire shares) in the ADI and to vary or cancel rights or restrictions attached to shares in a class of shares in the ADI. The ADI statutory manager is authorised to do so despite the Corporations Act, the ADI's constitution, any contract or arrangement to which the ADI is party or the Listing Rules. In the event that a statutory manager is appointed to Bendigo and Adelaide Bank in the future, these broad powers of an ADI statutory manager may be exercised in a way which adversely affects the rights attaching to the CPS2 and the position of Holders.

6.1.25 Amendment of CPS2 Terms

Bendigo and Adelaide Bank may, with APRA's prior written approval where required, amend the CPS2 Terms without the approval of Holders. These include necessary or desirable amendments to dates and time periods to facilitate any Mandatory Conversion, Conversion on the occurrence of a Capital Trigger Event or a Non-Viability Trigger Event, or Exchange or any change which Bendigo and Adelaide Bank considers not likely to be materially prejudicial to the interests of Holders as a whole. Bendigo and Adelaide Bank may

also, with APRA's prior written approval where required, amend the CPS2 Terms if the amendment has been approved by a Special Resolution of Holders. Amendments under these powers are binding on all Holders despite the fact that a Holder may not agree with the amendment. APRA's prior written approval to amend the CPS2 Terms is required only where the amendment may affect the eligibility of CPS2 as a Relevant Preference Security.

6.1.26 Shareholding limits

The Financial Sector (Shareholdings) Act 1998 (Cth) restricts ownership by people (together with their associates) of ADIs, such as Bendigo and Adelaide Bank, to a 15% stake. A shareholder may apply to the Australian Treasurer to extend their ownership beyond 15%, but approval will not be granted unless the Treasurer is satisfied that a holding by that person greater than 15% is in the national interest.

Mergers, acquisitions and divestments of Australian public companies listed on ASX (such as Bendigo and Adelaide Bank) are regulated by detailed and comprehensive legislation and the rules and regulations of ASX. These provisions include restrictions on the acquisition and sale of relevant interests in certain shares in an Australian listed company under the Corporations Act and a requirement that acquisitions of certain interests in Australian listed companies by foreign interests are subject to review and approval by the Treasurer. In addition, Australian law also regulates acquisitions which would have the effect, or be likely to have the effect, of substantially lessening competition in a market.

These limits may prevent the CPS2 of a Holder being Converted and therefore cause them to be Written Off in the event of a Capital Trigger Event or a Non-Viability Trigger Event.

Holders should take care to ensure that by acquiring any CPS2 (taking into account any Ordinary Shares into which they may Convert), Holders do not breach any applicable restrictions on ownership.

6.1.27 Holders may be subject to FATCA withholding and information reporting

Legislation incorporating provisions referred to as the Foreign Account Tax Compliance Act or "FATCA", was passed in the United States on 18 March 2010. The paragraph below on how FATCA may affect CPS2 is based on guidance issued to date by the US Treasury, including recently issued final regulations. Future guidance from the US Treasury may also affect the application of FATCA to CPS2.

It is possible that, in order to comply with FATCA, Bendigo and Adelaide Bank (or if CPS2 are held through another financial institution, such other financial institution) may be required (pursuant to an agreement with the US Internal Revenue Service ("IRS") or under applicable law) to request certain information from Holders or beneficial owners of CPS2, which information may be provided to the IRS, and to withhold US tax on some portion of payments made after 31 December 2016 with respect to CPS2 if such information is not provided or if payments are made to certain foreign financial institutions that have not entered into a similar agreement with the IRS (and are not otherwise required to comply with the FATCA regime under applicable laws or are otherwise exempt from complying with the requirement to enter into a FATCA agreement with the IRS). If Bendigo and Adelaide Bank or any other person is required to withhold amounts under or in connection with FATCA from any payments made in respect of CPS2, Holders and beneficial owners of CPS2 will not be entitled to receive any gross up or additional amounts to compensate them for such withholding.

6.2 Principal risks and uncertainties associated with Bendigo and Adelaide Bank

6.2.1 Business and strategic 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 and Adelaide Bank, including those which encompass a broad range of economic and commercial risks. However, the most common risks that Bendigo and Adelaide Bank actively manages are credit risk, interest rate risk, liquidity risk and operational risk (including fraud, theft and property damage).

The Directors have adopted policies and procedures to control exposures to, and limit the extent of, these risks. In addition, Bendigo and Adelaide Bank has an independent internal audit function that oversees all functions across Bendigo and Adelaide Bank. 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 Dependence on the Australian economy

Bendigo and Adelaide Bank's revenues and earnings are dependent on economic activity and the level of financial services its customers require. In particular, lending is dependent on customer and investor confidence, the state of the economy, the residential lending market and prevailing market interest rates in Australia. These factors are, in turn, impacted by both domestic and international economic and political events, natural disasters and the general state of the global economy. A future downturn in the Australian economy could adversely impact Bendigo and Adelaide Bank's results of operations, liquidity, capital resources and financial condition.

Geopolitical instability, such as threats of, potential for, or actual conflict, occurring around the world may also adversely affect global financial markets, general economic and business conditions including in Australia and, in turn, Bendigo and Adelaide Bank's business, operations and financial condition.

Natural disasters such as (but not restricted to) cyclones, floods and earthquakes, and the economic and financial market implications of such disasters on domestic and global conditions can adversely affect Bendigo and Adelaide Bank's business, operations and financial condition.

A significant reduction in Australian asset valuations could negatively impact Bendigo and Adelaide Bank's home lending activities and reduce the bank's security in the event of defaults causing an increase in credit losses and a potential reduction in demand for loans if borrower confidence is impacted.

6.2.3 Bendigo and Adelaide Bank is exposed to credit risk, which may adversely affect its business, operations and financial condition

As a financial institution, Bendigo and Adelaide Bank is exposed to the risks associated with extending credit to other parties. Credit risk is the risk of financial loss due to the unwillingness or inability of a counterparty to fully meet their contractual debts and obligations. Less favourable business or economic conditions, whether generally or in a specific industry sector or geographic region, could cause customers to experience an adverse financial situation, thereby exposing Bendigo and Adelaide Bank to the increased risk that those customers will fail to meet their obligations in accordance with agreed terms. Credit risk is primarily monitored by the Board Credit Committee and the Management Credit Committee and the framework, policies, analysis and reporting are managed by the Group's Credit Risk unit.

Bendigo and Adelaide Bank is exposed to the potential risk of credit-related losses that can occur as a result of a counterparty being unable or unwilling to honour its contractual obligations. As with any financial services organisation, Bendigo and Adelaide Bank assumes counterparty risk in connection with its lending, trading, derivatives and other activities where it relies on the ability of a third party to satisfy its financial obligations to Bendigo and Adelaide Bank on a timely basis. Bendigo and Adelaide Bank is also subject to the risk that its rights against third parties may not be enforceable in certain circumstances.

Credit exposure may also be increased by a number of factors including deterioration in the financial condition of the counterparty, the value of assets Bendigo and Adelaide Bank holds as collateral and the market value of the counterparty instruments and obligations it holds. Credit losses can and have resulted in financial services organisations realising significant losses and in some cases failing altogether. Should material unexpected credit losses occur to Bendigo and Adelaide Bank's credit exposures, it could have an adverse effect on Bendigo and Adelaide Bank's business, operations and financial condition.

6.2.4 Competition may adversely affect Bendigo and Adelaide Bank's business, operations and financial condition

The financial services industry is highly competitive. The markets in which Bendigo and Adelaide Bank operates are highly competitive and could become even more so, particularly in those segments that are considered to provide higher growth prospects or are in greatest demand (for example, customer deposits). Competitors may not be subject to the same capital and/or regulatory requirements and therefore may be able to operate more efficiently.

If Bendigo and Adelaide Bank is unable to compete effectively in its various businesses and markets, its market share may decline. Increased competition may also adversely affect Bendigo and Adelaide Bank by diverting business to its competitors or creating pressure to lower margins.

Increased competition for deposits could also increase Bendigo and Adelaide Bank's cost of funding and lead Bendigo and Adelaide Bank to access other types of funding. Bendigo and Adelaide Bank relies on bank deposits to fund a significant portion of its balance sheet and deposits have been a relatively stable source of funding. Bendigo and Adelaide Bank competes with banks and other financial services firms for such deposits. To the extent that it is not able to successfully compete for deposits, Bendigo and Adelaide Bank would be forced to rely more heavily on more expensive or less stable forms of funding, or reduce its lending activities.

Bendigo and Adelaide Bank is also dependent on its ability to offer products and services that match evolving customer preferences. If Bendigo and Adelaide Bank is not successful in developing or introducing new products and services or responding or adapting to changes in customer preferences and habits, Bendigo and Adelaide Bank may lose customers to its competitors. This could adversely affect Bendigo and Adelaide Bank's business, prospects, financial performance and financial condition.

6.2.5 Changes in monetary policies may adversely affect Bendigo and Adelaide Bank's business, operations and financial condition

The Reserve Bank of Australia ("RBA") sets official interest rates so as to affect the demand for money and credit in Australia. The cash rate influences other interest rates in the economy, affecting the behaviour of borrowers and lenders, economic activity and ultimately the rate of inflation. Their policies significantly affect Bendigo and Adelaide Bank's cost of funds for lending and investing and the return that Bendigo and Adelaide Bank will earn on those loans and investments. Both these factors impact Bendigo and Adelaide Bank's net interest margin and can affect the value of financial instruments it holds, such as debt securities

and hedging instruments. The policies of the RBA can also affect Bendigo and Adelaide Bank's borrowers and depositors: in the case of borrowers, potentially increasing the risk that they may fail to repay loans, and in the case of depositors, potentially increasing the risk that they may seek returns in other asset classes.

6.2.6 Sovereign risk may destabilise global financial markets, adversely affecting all participants including Bendigo and Adelaide Bank

Sovereign risk includes the risk that foreign governments will default on their debt obligations, become unable to increase borrowings as and when required, be unable to refinance their debts as they fall due, or nationalise participants in their economy. Further, should one sovereign default, regardless of where it is, there could be a cascading effect to other markets and countries, the consequences of which, while difficult to predict, may be similar to or worse than those experienced during the global financial crisis. Such events could destabilise global financial markets and adversely affect all market participants, including Bendigo and Adelaide Bank.

6.2.7 Bendigo and Adelaide Bank is exposed to liquidity and funding risk, which may adversely affect its business, operations and financial condition

Liquidity risk is the risk that Bendigo and Adelaide Bank is unable to meet its payment obligations as they fall due, including repaying depositors or maturing wholesale debt, or that Bendigo and Adelaide Bank has insufficient capacity to fund increases in assets. Liquidity risk is inherent in all banking operations due to the timing mismatch between cash inflows and cash outflows.

Reduced liquidity could lead to an increase in the cost of Bendigo and Adelaide Bank's borrowings and possibly constrain the volume of new lending, which could adversely affect Bendigo and Adelaide Bank's profitability. A significant deterioration in investor confidence in Bendigo and Adelaide Bank could materially impact Bendigo and Adelaide Bank's cost of borrowings, and Bendigo and Adelaide Bank's ongoing operations and funding.

Bendigo and Adelaide Bank raises funding from a variety of sources including customer deposits and wholesale funding in Australia and offshore markets to ensure that it continues to meet its funding obligations and to maintain or grow its business generally.

The bank maintains prudent levels of liquid reserves and a diverse range of funding options to meet daily, short-term and long-term liquidity requirements and also maintains a significant amount of contingent liquidity in the form of self-securitisation whereby the collateral can be presented to the RBA for cash in extraordinary circumstances such as systemic liquidity issues.

In times of systemic liquidity stress, in the event of damage to market confidence in Bendigo and Adelaide Bank or in the event that funding outside of Australia is not available or constrained, Bendigo and Adelaide Bank's ability to access sources of funding and liquidity may be constrained and it will be exposed to liquidity risk.

6.2.8 Bendigo and Adelaide Bank is exposed to the risk that its credit ratings could change, which could adversely affect its ability to raise capital and wholesale funding

Bendigo and Adelaide Bank's credit ratings have a significant impact on both its access to, and cost of, capital and wholesale funding. Credit ratings are not a recommendation by the relevant rating agency to invest in securities offered by Bendigo and Adelaide Bank. Credit ratings may be withdrawn, made subject to qualifiers, revised, or suspended by the relevant credit rating agency at any time and the methodologies by which they are determined may be revised.

The credit ratings assigned to the bank are based on an evaluation of a range of factors, including the bank's financial strength and structural considerations regarding the Australian financial system and economy.

A downgrade or potential downgrade to Bendigo and Adelaide Bank's credit rating may reduce access to capital and wholesale debt markets, potentially leading to an increase in funding costs, as well as affecting the willingness of counterparties to transact with it. In addition, the ratings of individual securities (including, but not limited to, Tier 1 Capital and Tier 2 Capital securities) issued by Bendigo and Adelaide Bank (and banks globally) could be impacted from time to time by changes in the ratings methodologies used by rating agencies. Ratings agencies may revise their methodologies in response to legal or regulatory changes or other market developments. These revisions could occur during the Offer Period or after CPS2 has been issued. On 15 July 2014, Standard & Poor's Ratings Services announced changes to its ratings methodology for regulatory capital securities which is expected to be published during September 2014. This could include downgrades in the credit ratings of Tier 1 Capital securities.

6.2.9 Bendigo and Adelaide Bank may experience challenges in managing its capital base, which could give rise to greater volatility in capital ratios

Bendigo and Adelaide Bank's capital base is critical to the management of its businesses and access to funding. Bendigo and Adelaide Bank is required by APRA to maintain adequate regulatory capital.

Under current regulatory requirements, as a counterparty's risk grade worsens, Bendigo and Adelaide Bank's risk-weighted assets and loan provisions increase. Additional regulatory capital requirements arising as a consequence of increased loan provisioning may be exacerbated during times of financial stress, particularly

if there are lower profit levels. As a result, greater volatility in capital ratios may arise and may require Bendigo and Adelaide Bank to raise additional capital. There can be no certainty that any additional capital required would be available or could be raised on reasonable terms.

The Bank's capital ratios may be impacted by a number of factors including lower profitability, higher asset growth and changes in business strategy (including acquisitions or an increase in capital intensive businesses).

APRA's revised Prudential Standards implementing Basel III are now in effect and seek to strengthen, among other things, the liquidity and capital requirements of banks and other financial institutions although there can be no assurance that these revised regulations will have their intended effect.

Further details about the capital management regime affecting Bendigo and Adelaide Bank are contained in Section 5.4 "Capital adequacy".

6.2.10 A weakening of the real estate market in Australia may adversely affect Bendigo and Adelaide Bank's business, operations and financial condition

Residential, commercial and rural property lending, together with property finance, including real estate development and investment property finance, constitute important businesses to Bendigo and Adelaide Bank.

A decrease in property valuations in Australia or other markets where it does business could decrease the amount of new lending Bendigo and Adelaide Bank is able to write and/or increase the losses that Bendigo and Adelaide Bank may experience from existing loans, which, in either case, could materially and adversely impact Bendigo and Adelaide Bank's financial condition and results of operations. A significant slowdown in the Australian housing market could adversely affect Bendigo and Adelaide Bank's business, operations and financial conditions.

6.2.11 Bendigo and Adelaide Bank is exposed to market risk, which may adversely affect its business, operations and financial condition

Market risk is the risk of loss arising from changes and fluctuations in interest rates, foreign currency exchange rates, equity prices and indices, commodity prices, debt securities prices, credit spreads and other market rates and prices. Changes in investment markets, including changes in interest rates, foreign currency exchange rates and returns from equity, property and other investments, will affect the financial performance of Bendigo and Adelaide Bank through its operations and investments held in financial services and associated businesses. Losses arising from these risks may have an adverse impact on Bendigo and Adelaide Bank's earnings. Market risk is primarily monitored through the Board Risk Committee and managed through the Asset and Liability Management Committee.

6.2.12 Bendigo and Adelaide Bank is exposed to operational risk, which may adversely affect its business, operations and financial condition

As a financial services organisation, Bendigo and Adelaide Bank is exposed to a variety of operational risks, including those resulting from process error, fraud, information technology instability and failure, system failure and matters relating to security and physical protection, customer services, staff skills and performance, and product development and maintenance.

Operational risk can directly impact the Group's reputation and result in financial losses which could adversely affect its financial performance or financial condition.

Examples of operational risk events by category include:

- Internal and external fraud;
- Products and business practices;
- Business disruption and system failure;
- Employment practices and workplace safety;
- Damage to physical assets; and
- Execution, delivery and process management.

6.2.13 Bendigo and Adelaide Bank could suffer losses due to failures in risk management strategies

Bendigo and Adelaide Bank has implemented risk management strategies and internal controls involving processes and procedures intended to identify, monitor and mitigate the risks to which it is subject, including liquidity risk, credit risk, market risk (including interest rate and foreign exchange risk), operational risk and compliance risk.

However, there are inherent limitations with any risk management framework as there may exist, or develop in the future, risks that Bendigo and Adelaide Bank has not anticipated or identified or controls that may not operate effectively. If any of Bendigo and Adelaide Bank's risk management processes and procedures

prove ineffective or inadequate or are otherwise not appropriately implemented, Bendigo and Adelaide Bank could suffer unexpected losses and reputational damage which could adversely affect Bendigo and Adelaide Bank's businesses, prospects financial performance, capital resources and financial condition.

6.2.14 Bendigo and Adelaide Bank could suffer losses due to environmental factors

Bendigo and Adelaide Bank and its customers operate businesses and hold assets in a diverse range of geographical locations. Any significant environmental change or external event (including fire, storm, drought, flood, earthquake or pandemic) in any of these locations has the potential to disrupt business activities, impact on Bendigo and Adelaide Bank's operations, damage property and otherwise affect the value of assets held in the affected locations and Bendigo and Adelaide Bank's ability to recover amounts owing to it. For example, parts of Australia have recently been subject to severe drought conditions. In addition, such an event could have an adverse impact on economic activity, consumer and investor confidence, or the levels of volatility in financial markets, which could adversely affect Bendigo and Adelaide Bank's businesses, financial performance, capital resources, financial condition and prospects.

6.2.15 Bendigo and Adelaide Bank could suffer losses due to security breaches or technology failures

The reliability and security of Bendigo and Adelaide Bank's information and technology infrastructure are crucial in maintaining banking applications and processes. There is a risk that Bendigo and Adelaide Bank's information and technology systems might fail to operate properly or become disabled as a result of events that are wholly or partially beyond Bendigo and Adelaide Bank's control.

The proliferation of new technologies, the increasing use of the internet and telecommunications to conduct financial transactions and the growing sophistication and activities of organised crime have resulted in increased information security risks for major financial institutions such as Bendigo and Adelaide Bank.

While Bendigo and Adelaide Bank has systems in place to detect and respond to cyber attacks, there can be no assurance that it will not suffer losses from cyber attacks or other information security breaches in the future.

Our operations rely on the secure processing, storage and transmission of information on Bendigo and Adelaide Bank's computer systems and networks, and the systems and networks of external suppliers. Although Bendigo and Adelaide Bank implements significant measures to protect the security and confidentiality of its information, there is a risk that the computer systems, software and networks on which it relies may be subject to security breaches, unauthorised access, malicious software, external attacks or internal breaches that could have an adverse impact on Bendigo and Adelaide Bank's confidential information or that of its customers and counterparts. Any such security breach could result in regulatory enforcement actions, reputational damage and reduced operational effectiveness. Such events could subsequently adversely affect Bendigo and Adelaide Bank's business, prospects, financial performance or financial condition.

Bendigo and Adelaide Bank's risk and exposure to such threats remains heightened because of the evolving nature of technology, Bendigo and Adelaide Bank's prominence within the financial services industry and its plans to continue to improve and expand its internet and mobile banking infrastructure.

Bendigo and Adelaide Bank continues to seek to strengthen and enhance its cybersecurity systems and investigate or remediate any information security vulnerabilities, investing additional resources as required to counter new and emerging threats as they continue to evolve.

6.2.16 Community Bank[®] franchises

Under its Community Bank[®] model, Community Bank[®] branches of Bendigo and Adelaide Bank operate in all States and Territories. The branches are operated by companies that have entered into franchise and management agreements with Bendigo and Adelaide Bank to manage and operate a Community Bank[®] branch of Bendigo and Adelaide Bank. Under a standard franchise agreement, Bendigo and Adelaide Bank derives revenue through the Community Bank[®] model 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 and Adelaide Bank and, in some cases, are seconded from Bendigo and Adelaide Bank. While Bendigo and Adelaide Bank considers carefully the suitability of potential 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[®] model has only been in operation since 1998, and many Community Bank[®] branches have only been operating for a few years. As a growing network, a material portion of the network is relatively new and there are risks that may develop over time. 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). 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. The termination of one or more franchise agreements may cause a loss in revenue and cause harm to the brand names Bendigo and Adelaide Bank relies on and to Bendigo and Adelaide Bank.

6.2.17 Bendigo and Adelaide Bank is exposed to risks associated with information security, which may adversely impact its business, operations and financial condition

Information security means protecting information and information systems from unauthorised access, use, disclosure, disruption, modification, perusal, inspection, recording or destruction. By its nature, the Group handles a considerable amount of personal and confidential information about its customers and its own internal operations.

The Group employs a team of information security experts who are responsible for the development and implementation of the Group's information security policies. The Group is conscious that threats to information security are continuously evolving and as such conducts regular internal and external reviews to ensure new threats are identified, evolving risks are mitigated, policies and procedures are updated and good practice is maintained.

However, there is a risk that information may be inadvertently or inappropriately accessed or distributed or illegally accessed or stolen. Any unauthorised use of confidential information could potentially result in breaches of privacy laws, regulatory sanctions, legal action and claims of compensation or erosion to the Group's competitive market position, which could adversely affect its financial position and reputation.

6.2.18 Bendigo and Adelaide Bank is exposed to reputation risk, which may adversely impact its business, operations and financial condition

Reputation risk may arise as a result of an external event or Bendigo and Adelaide Bank's own actions, and adversely affect perceptions about Bendigo and Adelaide Bank held by the public (including Bendigo and Adelaide Bank's customers), shareholders, investors, regulators or rating agencies. The impact of a risk event on Bendigo and Adelaide Bank's reputation may exceed any direct cost of the risk event itself and may adversely impact Bendigo and Adelaide Bank's earnings, capital adequacy or value. Accordingly, damage to Bendigo and Adelaide Bank's reputation may have wide-ranging impacts, including adverse effects on Bendigo and Adelaide Bank's profitability, capacity and cost of sourcing funding, and availability of new business opportunities.

6.2.19 Changes to accounting policies may adversely affect Bendigo and Adelaide Bank's business, operations and financial condition

The accounting policies and methods that Bendigo and Adelaide Bank applies are fundamental to how it records and reports its financial position and results of operations. Management must exercise judgment in selecting and applying many of these accounting policies and methods so that they not only comply with generally accepted accounting principles but they also reflect the most appropriate manner in which to record and report on the financial position and results of operations. However, these accounting policies may be applied inaccurately, resulting in a misstatement of financial position and results of operations.

In some cases, management must select an accounting policy or method from two or more alternatives, any of which might comply with generally accepted accounting principles and is reasonable under the circumstances, yet might result in reporting materially different outcomes than would have been reported under another alternative.

6.2.20 Bendigo and Adelaide Bank businesses are highly regulated and it could be adversely affected by failing to comply with existing laws, regulations or regulatory policy

As a financial institution, Bendigo and Adelaide Bank is subject to laws, regulations, policies and codes of practice in countries in which it has operations, trades or raises funds or in respect of which it has some other connection. In particular, Bendigo and Adelaide Bank's banking and funds management activities are subject to extensive regulation, mainly relating to its liquidity levels, capital, solvency, provisioning and licensing conditions.

Regulations vary from country to country but generally are designed to protect depositors, insured parties, customers with other banking products and the banking system as a whole.

The Australian Government and its agencies, including APRA, the RBA and other financial industry regulating bodies including ASIC, have supervisory oversight of Bendigo and Adelaide Bank. To the extent that Bendigo and Adelaide Bank has operations, trades or raises funds in, or has some other connection with, countries other than Australia, then such activities may be subject to the laws of, and regulation by agencies in, those countries.

A failure to comply with any standards, laws, regulations or policies in any other of those jurisdictions could result in sanctions by these or other regulatory agencies, the exercise of any discretionary powers that the regulators hold or compensatory action by affected persons, which may in turn cause substantial damage to Bendigo and Adelaide Bank's reputation. To the extent that these regulatory requirements limited Bendigo and Adelaide Bank's operations or flexibility, they could adversely impact Bendigo and Adelaide Bank's profitability and prospects.

These regulatory and other governmental agencies (including courts, revenue and tax authorities) frequently review banking and tax laws, regulations, codes of practice and policies. Changes to laws, regulations, codes of practice or policies, including changes in interpretation or implementation of laws, regulations, codes of practice or policies, could affect Bendigo and Adelaide Bank in substantial and unpredictable ways. These may include increasing required levels of bank liquidity and capital adequacy, limiting the types of financial services and products Bendigo and Adelaide Bank can offer and the revenues it can earn, and/or increasing the ability of non-banks to offer competing financial services or products, as well as changes to accounting standards, taxation laws and prudential requirements.

Any such changes may adversely affect Bendigo and Adelaide Bank's business, operations and financial condition. The changes may lead Bendigo and Adelaide Bank to, among other things, change its business mix, incur additional costs as a result of increased management attention, raise additional amounts of higher quality capital (such as ordinary shares) and hold significant levels of additional liquid assets and undertake additional long-term wholesale funding to replace short-term wholesale funding to more closely match Bendigo and Adelaide Bank's asset maturity profile.

6.2.21 Bendigo and Adelaide Bank is exposed to counterparty risk through provision of life and general insurance and through lenders mortgage insurance

Whilst Bendigo and Adelaide Bank is not an underwriter of life insurance or general insurance, it distributes insurance products to some of its customers and as such is still exposed to the negative implications of the underwriter being unable to meet their insurance obligations.

Bendigo and Adelaide Bank could face reputation damage (see Section 6.2.18) should a customer not receive payment for a claim made under their life insurance or general insurance policies purchased as a result of their relationship with Bendigo and Adelaide Bank.

With respect to Lenders Mortgage Insurance ("LMI"), if Bendigo and Adelaide Bank's insurance provider should fail it increases the risk that Bendigo and Adelaide Bank will be uninsured in the event of mortgage default, having potentially negative effects on the operations and performance of Bendigo and Adelaide Bank.

6.2.22 Absence of government-sponsored financial stabilisation

In response to the GFC, a number of government-sponsored financial stabilisation packages (including guarantees of certain bank obligations) were introduced around the world, including in Australia. International capital markets and liquidity conditions improved following the GFC and banks were able to raise non-government guaranteed funds. Many such government-sponsored financial stabilisation packages were withdrawn or phased out, including in relation to wholesale funding. There is no certainty that improved financial conditions will continue, nor that government sponsored financial stabilisation packages would be re-introduced if conditions deteriorated.

The absence of government-sponsored financial stabilisation schemes may result in stress on the global financial system or regional financial systems, which could adversely impact Bendigo and Adelaide Bank and its customers and counterparties. Specifically, it could adversely affect Bendigo and Adelaide Bank's ability to access sources of funding and lead to a decrease in Bendigo and Adelaide Bank's liquidity position and an increase in its funding costs, negatively affecting Bendigo and Adelaide Bank's business, operations and financial condition.

6.2.23 Bendigo and Adelaide Bank is exposed to trustee risk, which may adversely affect Bendigo and Adelaide Bank's business, operations and financial condition

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

6.2.24 Litigation and contingent liabilities may adversely affect Bendigo and Adelaide Bank's business, operations and financial condition

From time to time, Bendigo and Adelaide Bank may be subject to material litigation, regulatory actions, legal or arbitration proceedings and other contingent liabilities which, if they crystallise, may adversely affect Bendigo and Adelaide Bank's results.

There is a risk that these contingent liabilities may be larger than anticipated or that additional litigation or other contingent liabilities may arise.

6.2.24.1 Litigation risks in relation to the Great Southern loan portfolio

Bendigo and Adelaide Bank has been involved in class actions brought by investors in managed investment schemes managed by Great Southern Managers Australia Ltd (the “Group Proceedings”). The Great Southern Group of companies is now in liquidation.

Bendigo and Adelaide Bank either acquired or advanced loans to investors in the managed investment schemes. Not all borrowers are members of the Group Proceedings as the Group Proceedings relate to specific schemes and categories of borrowers. Interest bearing loans with initial principal amounts totalling around \$649 million, and non-interest bearing loans with initial principal amounts totalling a further \$142 million, that were advanced or acquired between 2005 and 2008 are covered by the Group Proceedings.

While no wrongdoing was alleged against Bendigo and Adelaide Bank, the Group Proceedings sought to have the loan deeds of those borrowers who are members of the Group Proceedings deemed void or unenforceable and for all money paid under those loans (including principal, interest and fees) to be repaid to borrowers.

The trial of the Group Proceedings was held during the course of 2012 and 2013. The Court indicated that judgment would be handed down on 25 July 2014, however, on 23 July 2014, Bendigo and Adelaide Bank announced that it had entered into an agreement to conclude the Group Proceedings. Under the settlement agreement, which is subject to approval of the Court, Bendigo and Adelaide Bank’s borrowers who are members of the Group Proceedings have admitted that their loans are valid and enforceable and have provided broad releases from future litigation.

The principal and ordinary accrued interest remains payable by borrowers. However, Bendigo and Adelaide Bank has agreed to waive unpaid interest relating to overdue amounts, being the interest (additional to ordinary interest) that is payable by borrowers in default, which is accrued and unpaid up to the date the Court approves the settlement. This waiver did not result in any adjustment to the accounts of Bendigo and Adelaide Bank as unpaid interest relating to overdue amounts has not previously been recognised as revenue. As at 30 June 2014 the balance of the total arrears on the loan portfolio was \$303.6 million, and Bendigo and Adelaide Bank had made specific and collective provisions on the loan portfolio of \$15.8 million and \$11.8 million respectively. In addition to court approval, other aspects of the settlement of the Group Proceedings are conditional on the implementation of a scheme of arrangement in respect of Great Southern Managers Australia Limited and Great Southern Finance Pty Ltd and investors in Great Southern managed investment schemes, which will require amongst other things approval by the required majorities of the investors. However, those aspects of the settlement do not impact Bendigo and Adelaide Bank and the settlement as it affects Bendigo and Adelaide Bank is not conditional on the scheme of arrangement.

As noted, the settlement agreement to conclude the Group Proceedings remains subject to the approval of the Court. If that approval is not given, Bendigo and Adelaide Bank expects that judgment in the Group Proceedings would be able to be handed down by the Court shortly afterwards. Even so, any judgment may then be subject to appeal and the application of the Group Proceedings judgment to individual borrowers may need to be determined in subsequent proceedings. Accordingly, if the settlement is not approved, the final outcome may not be known for a significant period of time.

As noted above, Bendigo and Adelaide Bank has raised specific and collective provisions in relation to the Great Southern loan portfolio, having regard to the performance of the portfolio and other relevant factors. However, the provisions are small in the context of the potential loss should the settlement not be approved and, instead, the borrowers succeed with their claims against Bendigo and Adelaide Bank under the Group Proceedings. In that scenario, if the borrowers are ultimately successful in having some or all of the loan deeds deemed void or unenforceable, Bendigo and Adelaide Bank will be unable to recover the relevant outstanding loans and/or be required to repay the principal, interest and fees already paid by the relevant borrowers who are group members. Even if the borrowers were to succeed in the first instance with their claims against Bendigo and Adelaide Bank under the Group Proceedings but were ultimately unsuccessful on any appeal, pending appeal Bendigo and Adelaide Bank may need to significantly increase the amount of provisions in relation to the Great Southern portfolio. Either of these events could have a significant effect on Bendigo and Adelaide Bank’s Common Equity Tier 1 Capital Ratio, potentially leading to a Capital Trigger Event occurring. A Capital Trigger Event would result in CPS2 mandatorily converting into Ordinary Shares. For details on the risks involved with a Capital Trigger Event refer to Section 6.1.15.

Further, if the outcome of the Group Proceedings were to have a significant effect on Bendigo and Adelaide Bank’s Common Equity Tier 1 Capital Ratio, Bendigo and Adelaide Bank may be required by APRA, or may otherwise determine, to raise further equity to address its capital position, by way of a rights issue or otherwise. Any such equity raising may impact the market price of Bendigo and Adelaide Bank’s Ordinary Shares – see Section 6.1.10. As noted in Section 2.5.7, the Issue Date VWAP and consequently the Maximum Conversion Number is not adjusted to reflect a rights issue or other similar transaction. Accordingly, any such capital raising may increase the risk that the number of Ordinary Shares received following a Capital Trigger Event could be limited to the Maximum Conversion Number and this number of Ordinary Shares may have a value of less than \$101.01 (see Section 6.1.15.3 for further detail). In addition, any such capital raising could increase the risk that Conversion on the Scheduled Mandatory Conversion Date is deferred due to the Mandatory Conversion Conditions not being met (see Section 6.1.11 for further detail).

6.2.25 Bendigo and Adelaide Bank is exposed to joint venture risk, which may adversely affect Bendigo and Adelaide Bank's business, operations and financial condition

Some of Bendigo and Adelaide Bank's activities are conducted through joint ventures. These joint ventures are not controlled or managed by Bendigo and Adelaide Bank. The nature and obligations of the joint venture arrangements may impact Bendigo and Adelaide Bank's financial position and financial performance.

6.2.26 Bendigo and Adelaide Bank is exposed to changes in exchange rates, which may adversely affect Bendigo and Adelaide Bank's business, operations and financial conditions

An appreciation in the Australian dollar relative to other currencies could adversely affect the Australian economy, including agricultural exports, international tourism, manufacturers, and import-competing producers whereas depreciation would increase debt service obligations in Australian dollar terms of unhedged exposures.

6.2.27 Disruption of information technology systems or failure to successfully implement new technology systems could significantly interrupt Bendigo and Adelaide Bank's business which may adversely affect its operations and financial condition

Bendigo and Adelaide Bank is highly dependent on information systems and technology and there is a risk that these, or the services Bendigo and Adelaide Bank uses or is dependent upon, might fail.

Most of Bendigo and Adelaide Bank's daily operations are computer-based and information technology systems are essential to maintaining effective communications with customers. The exposure to systems risks includes the complete or partial failure of information technology systems or data centre infrastructure, the inadequacy of internal and third-party information technology systems due to, among other things, failure to keep pace with industry developments and the capacity of the existing systems to effectively accommodate growth and integrate existing and future acquisitions and alliances.

To manage these risks, Bendigo and Adelaide Bank has disaster recovery and information technology governance in place. However, any failure of these systems could result in business interruption, loss of customers, financial compensation, damage to reputation and/or a weakening of Bendigo and Adelaide Bank's competitive position, which could adversely impact Bendigo and Adelaide Bank's business and have a material adverse effect on Bendigo and Adelaide Bank's financial condition and operations. In addition, Bendigo and Adelaide Bank must update and implement new information technology systems, in part to assist it to satisfy regulatory demands, ensure information security, enhance computer-based banking services for Bendigo and Adelaide Bank's customers and integrate the various segments of its business. Bendigo and Adelaide Bank may not implement these projects effectively or execute them efficiently, which could lead to increased project costs, delays in the ability to comply with regulatory requirements, failure of Bendigo and Adelaide Bank's information security controls or a decrease in Bendigo and Adelaide Bank's ability to service its customers.

6.2.28 Unexpected changes to Bendigo and Adelaide Bank's license to operate in any jurisdiction may adversely affect its business, operations and financial condition

Bendigo and Adelaide Bank is licensed to operate in the various states and territories in which it operates. Unexpected changes in the conditions of the licenses to operate by governments, administrations or regulatory agencies which prohibit or restrict Bendigo and Adelaide Bank from trading in a manner that was previously permitted may adversely impact Bendigo and Adelaide Bank's financial results.

6.2.29 Bendigo and Adelaide Bank may experience reductions in the valuation of some of its assets, resulting in fair value adjustments that may have a material adverse effect on its earnings

Under Australian Accounting Standards, Bendigo and Adelaide Bank recognises at fair value:

- financial instruments classified as "held-for-trading" or "designated as at fair value through profit or loss";
- financial assets classified as "available-for-sale";
- derivatives; and
- financial assets backing investment liabilities.

Generally, in order to establish the fair value of these instruments, Bendigo and Adelaide Bank relies on quoted market prices or, where the market for a financial instrument is not sufficiently active, fair values are based on present value estimates or other accepted valuation techniques. In certain circumstances, the data for individual financial instruments or classes of financial instruments used by such estimates or techniques may not be available or may become unavailable due to changes in market conditions. In these circumstances, the fair value is determined using data derived and extrapolated from market data, and tested against historic transactions and observed market trends.

The valuation models incorporate the impact of factors that would influence the fair value determined by a market participant. Principal inputs used in the determination of the fair value of financial instruments based on valuation techniques include data inputs such as statistical data on delinquency rates, foreclosure rates, actual losses, counterparty credit spreads, recovery rates, implied default probabilities, credit index tranche prices and correlation curves. These assumptions, judgments and estimates need to be updated to reflect changing trends and market conditions. The resulting change in the fair values of the financial instruments could have a material adverse effect on Bendigo and Adelaide Bank's earnings.

6.2.30 Bendigo and Adelaide Bank may be exposed to the risk of impairment to capitalised software, goodwill and other intangible assets that may adversely affect its business, operations and financial condition

In certain circumstances the Group may be exposed to a reduction in the value of intangible assets. As at 30 June 2014, the Group carried goodwill principally related to its investments in Australia, intangible assets principally relating to assets recognised on acquisition of subsidiaries, and capitalised software balances.

Bendigo and Adelaide Bank is required to assess the recoverability of the goodwill balance on at least an annual basis. For this purpose Bendigo and Adelaide Bank uses either a discounted cash flow or a multiple of earnings calculation. Changes in the assumptions upon which the calculation is based, together with expected changes in future cash flows, could materially impact this assessment, resulting in the potential write-off of a part or all of the goodwill balance.

The recoverability of capitalised software and other intangible assets is assessed at least annually. In the event that an asset is no longer in use, or that the cash flows generated by the asset do not support the carrying value, an impairment may be recorded, adversely impacting Bendigo and Adelaide Bank's financial condition.

6.2.31 Bendigo and Adelaide Bank is exposed to strategic and acquisition risk, which may adversely affect Bendigo and Adelaide Bank's business, operations and financial condition

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

7. Tax Summary

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11 September 2014

The Directors
Bendigo and Adelaide Bank Limited
The Bendigo Centre
Bendigo VIC 3550

Ladies and Gentlemen

Bendigo and Adelaide Bank Limited Convertible Preference Shares 2

The following is a summary of the Australian taxation implications for holders of CPS2 that are acquired under this Prospectus. This summary addresses the principal tax consequences for individuals, companies and complying superannuation entities who acquire their CPS2 under the Prospectus, are residents of Australia for the purposes of Australian income tax laws and who hold CPS2 on capital account (*Investors*).

This summary does not address all of the tax consequences of holding CPS2, such as the tax consequences for Investors who acquire CPS2 in the course of a business of trading or investing in securities, or who otherwise hold CPS2 on revenue account or as trading stock.

This summary reflects the current provisions of the *Income Tax Assessment Act 1936 (Cth) (1936 Act)* and the *Income Tax Assessment Act 1997 (Cth) (1997 Act)*, the regulations made under those Acts and the current administrative practice of the Australian Taxation Office (*ATO*). Except where expressly stated, this summary does not otherwise take into account or anticipate changes in taxation laws.

Capitalised terms used in this letter have the same meaning as in the Prospectus, unless otherwise indicated.

This summary is provided solely for the benefit of Bendigo and Adelaide Bank and is not to be relied upon by any other person. The tax consequences of ownership of CPS2 may differ depending upon an Investor's particular circumstances. *Information contained in this summary is necessarily general in nature and investors in CPS2 will need to consult their own professional tax advisers regarding the consequences of acquiring, holding or disposing of CPS2 in light of their particular circumstances.*

Tax Summary

We have been instructed by Bendigo and Adelaide Bank that the CPS2 will be issued by Bendigo and Adelaide Bank in Australia, that Bendigo and Adelaide Bank intends to apply the proceeds from the issue of the CPS2 for general business purposes and that Dividends paid on CPS2 are expected, but not guaranteed, to be fully franked. This summary also assumes that all of the transactions described in the Prospectus will be carried out in the manner described in the Prospectus.

Bendigo and Adelaide Bank has applied for a Class Ruling requesting confirmation of the ATO's views on the principal tax issues considered below.

Allens is an independent partnership operating in alliance with Linklaters LLP.

1 Dividends

(a) Franking credits

Because CPS2 will be 'equity interests' for income tax purposes, payments of Dividends on CPS2 will be frankable distributions, with the following tax consequences:

- (i) Investors will be required to include the amounts of Dividends in their assessable income;
- (ii) the amounts of any franking credits attached to those Dividends should also be included in Investors' assessable income; and
- (iii) tax offsets, equal to the amount of the franking credits, should generally be available to Investors, subject to (1) the CPS2 being held 'at risk' for the requisite periods and (2) the expectation that the Commissioner of Taxation will not make an adverse determination regarding the application of the 'anti-avoidance rule' in section 177EA of the 1936 Act (see further regarding both of these issues below).

If any Dividends payable in respect of the CPS2 are unfranked, those amounts would also be required to be included in an Investor's assessable income, without any tax offsets.

Individuals or complying superannuation entities that are entitled to tax offsets may claim a tax refund to the extent that the tax offsets exceed the tax that is otherwise payable by them. Investors that are companies are not entitled to refunds of excess tax offsets, but may be entitled to a credit in their franking account equal to the amount of the franking credits attached to a Dividend, subject to the qualifications mentioned above and discussed further below.

(b) Holding period rule

Unless an Investor is a 'qualified person' in relation to the Dividend, the Investor will not be entitled to tax offsets in respect of franking credits attached to the Dividend.

To be a 'qualified person' in relation to a Dividend, Investors must have held the CPS2 'at risk' for a continuous period of at least 90 days (excluding the days of acquisition and disposal) during:

- (i) the 'primary qualification period', which is the period beginning on the day after the day on which the CPS2 are acquired by an Investor and ending on the 90th day after the day that the CPS2 became ex-Dividend; or
- (ii) if an Investor, or an associate, is under an obligation to make 'related payments' (which have the effect of passing on the benefit of Dividends to other entities) in respect of Dividends, the 'secondary qualification period', which is the period beginning on the 90th day before, and ending on the 90th day after, the day that the CPS2 became ex-Dividend.

To be held 'at risk', Investors must effectively retain 30% or more of the risks and benefits associated with holding the CPS2. Whether or not the CPS2 are held 'at risk' by an Investor during the relevant periods will depend upon whether the Investor has financial positions or undertakes risk management strategies (e.g. using limited recourse loans, options or forward sale contracts) in relation to the CPS2.

Investors should be 'qualified persons' in relation to Dividends on the CPS2, provided Investors will continue to hold the CPS2 for at least the 'primary qualification period', will not have any financial positions or enter into any relevant risk management strategies in relation to the CPS2, and will not be under an obligation to make 'related payments' to other entities.

Investors who are individuals and who will not claim tax offsets in any one year in excess of \$5,000, will automatically be taken to be 'qualified persons' in relation to all Dividends that they receive (provided that they are not under an obligation to make a 'related payment' as described above).

The application of the franking rules to Investors will depend upon the particular circumstances of each Investor. Investors should seek independent advice as to whether they will be treated as 'qualified persons' in relation to Dividends received on the CPS2.

(c) **Anti-avoidance rule**

Section 177EA of the 1936 Act is an anti-avoidance provision which is designed to counter schemes where one of the purposes (other than an incidental purpose) of the scheme is to obtain imputation benefits. There are a number of different objective factors that the Commissioner may take into account in forming a view as to whether a scheme has such a purpose. Where section 177EA applies, the Commissioner may make a written determination with the effect of either:

- (i) imposing a franking debit on the distributing entity's franking account; or
- (ii) denying the imputation benefit on the distribution that flowed directly or indirectly to the relevant taxpayer.

Bendigo and Adelaide Bank has received a Private Ruling from the Commissioner of Taxation confirming that the Commissioner would not make any such determination under section 177EA in relation to the CPS2. That ruling is only binding on the Commissioner in relation to Bendigo and Adelaide Bank's tax position. However, we would not ordinarily expect the Commissioner to assert that section 177EA applied to convertible preference shares which are classified as Additional Tier 1 capital. We also, therefore, expect the Commissioner to make a favourable Class Ruling on this issue which would be binding on the Commissioner in relation to Investors' tax positions.

2 Disposals of CPS2

(a) **Sale on-market or pursuant to Resale mechanism**

A disposal of CPS2 on-market, or pursuant to a Resale as provided for in clause 10 of the Terms, will constitute a CGT event for the Investor.

Investors may make a capital gain if their capital proceeds from the disposal are more than their cost base for the CPS2 and Investors may make a capital loss if their capital proceeds from the disposal are less than their reduced cost base for the CPS2:

- (i) *Cost base or reduced cost base*: the first element of an Investor's cost base or reduced cost base for their CPS2 will be the amount subscribed for the CPS2 in accordance with this Prospectus, which will be an amount equal to the Issue Price of the CPS2. Other amounts associated with holding the CPS2, such as incidental costs of acquisition and disposal, may be added to the cost base.
- (ii) *Capital proceeds*: the capital proceeds that will be received by an Investor on a disposal of a CPS2, either on-market, or pursuant to a Resale, will be the sale price of the CPS2. The sale price that will be received by an Investor on the disposal of a CPS2 pursuant to a Resale will be an amount equal to the Issue Price of the CPS2. Therefore, Investors who acquire their CPS2 pursuant to the Offer under this Prospectus should not make capital gains on the disposal of their CPS2 pursuant to a Resale.

Any capital gain or capital loss made by an Investor will be aggregated with other capital gains and capital losses of the Investor in the relevant year of income to determine whether the Investor has a net capital gain or net capital loss. A net capital gain will be included in the Investor's assessable income and is subject to income tax, however the 'CGT discount' may be available to reduce the taxable gain for the Investor, as described below. A net capital loss may not be deducted against other assessable income, but may be carried forward to be offset against net capital gains realised in later income years.

If an Investor is an individual, complying superannuation entity or a trust, and they held their CPS2 for 12 months or more before a disposal of the CPS2, they will be entitled to a 'CGT discount' for any capital gain made on a disposal. The CGT discount entitles Investors to reduce their capital gain on the disposal of a CPS2 (after deducting available capital losses) by half, in the case of individuals and trusts, or by one-third in the case of complying superannuation entities. However, trustees should seek specific advice regarding the tax consequences of making distributions attributable to discounted capital gains.

The 'CGT discount' is not available to companies, nor can it apply to CPS2 disposed of by Investors under an agreement entered into within 12 months of the acquisition of the CPS2 by those Investors. Investors should seek independent advice to determine if their CPS2 have been held for the requisite period.

(b) Redemption of CPS2

Redemption of the CPS2 may entail the CPS2 being redeemed, bought back or cancelled pursuant to a reduction of capital, or a combination of these methods, for an amount equal to the Issue Price plus, subject to the Director's discretion an amount of accrued, but unpaid, Dividend.

The tax consequences of a Redemption of the CPS2 will depend upon the method of Redemption. It is expected that further information would be provided to Investors by Bendigo and Adelaide Bank prior to any Redemption of the CPS2.

3 Conversion of CPS2

On Conversion, the terms of each CPS2 will change to those of an Ordinary Share and Bendigo and Adelaide Bank will allot, for no consideration, an additional number of Ordinary Shares for each CPS2 that is being Converted in accordance with the formula in the Terms. The income tax consequences of a Conversion for Investors will be:

- (a) there should be no capital gain or capital loss for an Investor on Conversion; and
- (b) no amount should be included in an Investor's assessable income as a consequence of a Conversion. In particular, Investors should not derive assessable income as a consequence of the allotment of the additional Ordinary Shares.

The first element of the cost base or reduced cost base of each Ordinary Share resulting from the Conversion of a CPS2 will be a pro rata portion of the cost base of the CPS2 at the time of the Conversion and the Ordinary Shares will be taken to have been acquired by Investors at the time that their CPS2 were acquired.

4 New ultimate holding company

The Terms contemplate the possibility of a new non-operating holding company becoming the ultimate owner of Bendigo and Adelaide Bank. In those circumstances, Bendigo and Adelaide Bank may amend the Terms and provide notice to Holders that, upon Conversion, shares in the Approved NOHC will be allotted to Investors instead of Ordinary Shares in Bendigo and Adelaide Bank.

It is expected that Bendigo and Adelaide Bank's Class Ruling will confirm that where an Approved NOHC becomes the ultimate holding company of Bendigo and Adelaide Bank:

- (a) the Conversion of each CPS2 and the allotment of NOHC ordinary shares will not result in Investors making a capital gain or a capital loss;
- (b) the first element of the cost base and reduced cost base of each Approved NOHC ordinary share allocated to an Investor will be the Investor's cost base for their CPS2 at the time of Conversion divided by the number of Approved NOHC ordinary shares they receive for each CPS2; and
- (c) the Approved NOHC ordinary shares will be taken to be acquired by Investors at the time of the Conversion of the CPS2.

5 SPS Reinvestment Offer

Bendigo and Adelaide Bank gave the SPS holders an exchange notice on 8 September 2014 to redeem SPS for their Face Value on 10 October 2014. Under the Reinvestment Offer, eligible SPS Holders may elect for some or all of their SPS redemption proceeds to be applied in subscribing for CPS2.

(a) SPS redemption proceeds

On the basis that, when Bendigo and Adelaide Bank redeems the SPS, it will:

- (i) provide each SPS Holder with a notice which specifies the amount paid-up on the SPS immediately before the redemption; and
- (ii) debit the redemption proceeds to Bendigo and Adelaide Bank's share capital account,

and that the SPS redemption proceeds (i.e. Face Value) will not exceed the amount paid-up on the SPS, no part of the SPS redemption proceeds will be taken to be an assessable 'dividend' as defined in section 6(1) of the 1936 Act.

(b) CGT implications of SPS Reinvestment Offer

The redemption of the SPS by Bendigo and Adelaide Bank will be a CGT event for the SPS Holders.

SPS Holders may make a capital gain if their capital proceeds from the redemption of the SPS are more than their 'cost base' for their SPS, or may make a capital loss if their capital proceeds are less than their 'reduced cost base' for their SPS:

- (i) *Cost base or reduced cost base*: the first element of an SPS Holder's cost base, or reduced cost base, for their SPS is the amount paid by the SPS Holder for their SPS. Other amounts associated with the acquisition or disposal of the SPS, such as broker fees, may be added to the cost base.
- (ii) *Capital proceeds*: the capital proceeds that will be received by an SPS Holder on redemption of the SPS will be a cash amount equal to the Face Value of each SPS held by the SPS Holder.

Any capital gain or capital loss made by an SPS Holder will be aggregated with other capital gains and capital losses of the SPS Holder in the relevant year of income to determine whether the SPS Holder has a net capital gain or net capital loss. A net capital gain will be included in the SPS Holder's assessable income and will be subject to income tax, however the 'CGT discount' may be available to reduce the taxable gain for an SPS Holder who is an individual, complying superannuation entity or trust (see further above). A net capital loss

may not be deducted against other assessable income, but may be carried forward to be offset against net capital gains realised in later income years.

(c) Cost base of CPS2 acquired pursuant to Reinvestment Offer

The amount of SPS redemption proceeds that is applied in subscribing for CPS2 pursuant to the Reinvestment Offer will be included in the cost base of an Investor's CPS2 for the purposes of determining any future gain or loss on the disposal, Conversion, Redemption or Resale of the CPS2 (see further above).

6 TFN/ABN withholding

Bendigo and Adelaide Bank is required to deduct withholding tax from payments of any Dividends that may be paid in respect of CPS2 and that are not 100% franked at the rate specified in the *Taxation Administration Regulations 1976* (currently 49%), and remit such amounts to the Australian Taxation Office, unless a Tax File Number or an Australian Business Number has been quoted by an Investor, or a relevant exemption applies (and has been notified to Bendigo and Adelaide Bank).

7 Taxation of Financial Arrangements (TOFA) rules

The CPS2 are 'equity interests' for Australian tax purposes. The TOFA rules tax certain 'financial arrangements' on an accruals or marked-to-market basis and are intended to apply to certain 'equity interests' in some limited circumstances.

The TOFA rules do not generally apply to individuals, superannuation entities or funds with assets of less than \$100 million and any other entities that have aggregated turnovers of less than \$100 million, financial assets of less than \$100 million and total assets of less than \$300 million, except in certain limited circumstances where the relevant arrangement would have been subject to accruals taxation in any event. On that basis, most Investors should not generally be subject to accruals taxation in respect of the CPS2.

In addition, to the extent an Investor is not excluded from the TOFA rules, the TOFA rules provide that the accruals, realisation, foreign exchange retranslation and, generally, the hedging financial arrangements methods, do not apply to gains or losses from a financial arrangement if the arrangement is an 'equity interest'. Therefore, only the fair value or the financial reports method may apply, depending upon an Investor's particular circumstances, to an investment in the CPS2.

Investors should seek their own taxation advice as to the potential application of the TOFA rules to their investment in the CPS2 in their particular circumstances.

8 GST

Other than in respect of brokerage or similar fees, Investors should not be liable for GST in respect of acquiring CPS2 or on a sale, Conversion, Redemption or Resale of CPS2.

9 Stamp Duty

No stamp duty will be payable by an Investor on the acquisition (whether pursuant to the Reinvestment Offer or not), sale, Conversion, Redemption or Resale of CPS2 so long as the shares in Bendigo and Adelaide Bank are quoted on the ASX and no Investor (on an associate-inclusive basis) will hold an interest (as respectively defined in the landholder stamp duty provisions of New South Wales, Victoria, Queensland, South Australia, Western Australia and the Northern Territory) of 90% or more in Bendigo and Adelaide Bank (including in Bendigo and Adelaide Bank's Ordinary Shares).

10 Not financial product advice

The information contained in this opinion does not constitute financial product advice for the purposes of the Corporations Act. The Allens partnership providing this opinion is not licensed, under the Corporations Act, to provide financial product advice. To the extent that this letter contains any information about a financial product within the meaning of the Corporations Act, taxation is only one of the matters that must be considered when making a decision about the relevant financial product. An Investor or prospective Investor should, before making any decision to invest in the CPS2, consider taking financial advice from a person who holds an Australian Financial Services Licence under the Corporations Act.

Allens has consented to the inclusion of this letter in the Prospectus, but this letter should not be taken as a statement about any other matter in the Prospectus or in relation to Bendigo and Adelaide Bank or the performance of any investment in Bendigo and Adelaide Bank, and is subject to the terms of Allens' consent to be named as set out in Section 8.7 of the Prospectus.

Yours faithfully



ALLENS

8. Additional Information

8.1 Reporting and disclosure obligations

Bendigo and Adelaide Bank is admitted to the official list of ASX and is a disclosing entity for the purposes of the Corporations Act. As a disclosing entity, it is subject to regular reporting and disclosure obligations under the Corporations Act and Listing Rules. Broadly, these obligations require that Bendigo and Adelaide Bank prepare both yearly and half yearly financial statements, a report on the operations of Bendigo and Adelaide Bank during the relevant accounting period, together with an audit or review report by its auditor.

Copies of these and other documents lodged with ASIC may be obtained from or inspected at an ASIC office and on Bendigo and Adelaide Bank's website at www.bendigoadelaide.com.au.

Bendigo and Adelaide Bank must ensure that ASX is continuously notified of information about specific events and matters as they arise for the purpose of ASX making the information publically available.

Bendigo and Adelaide Bank has an obligation under the Listing Rules (subject to certain exceptions) to notify ASX immediately of any information concerning it of which it becomes aware, which a reasonable person would expect to have a material effect on the price or value of its quoted securities. ASX maintains records of company announcements for all companies listed on ASX. Bendigo and Adelaide Bank's announcements may be viewed on ASX's website (www.asx.com.au).

8.2 Availability of documents

Bendigo and Adelaide Bank will provide a copy of any of the following documents free of charge to any person who requests a copy during the Offer Period:

- the annual financial report for the year ended 30 June 2014 lodged with ASIC by Bendigo and Adelaide Bank;
- any other continuous disclosure notices given by Bendigo and Adelaide Bank under the continuous disclosure provisions of the Corporations Act and the Listing Rules in the period after the lodgement of the annual financial report for the year ended 30 June 2014 and before the lodgement of this Prospectus with ASIC; and
- the Constitution.

The annual financial report for the year ended 30 June 2014, together with copies of all continuous disclosure notices lodged with ASX, are available at www.asx.com.au or at www.bendigoadelaide.com.au. The Constitution is available at www.bendigoadelaide.com.au/public/corporate_governance/pdf/Constitution.pdf.

All written requests for copies of the above documents should be addressed to:

Share Registry
Bendigo and Adelaide Bank Limited
PO Box 480
Bendigo VIC 3552

8.3 Rights and liabilities attaching to CPS2

The rights and liabilities attaching to CPS2 are contained in the CPS2 Terms set out in Appendix A. Rights and liabilities attaching to CPS2 may also arise under the Corporations Act, Listing Rules, Bendigo and Adelaide Bank's Constitution and other laws.

8.4 Rights and liabilities attaching to Ordinary Shares

Holders may receive Ordinary Shares on Conversion. The rights and liabilities attaching to the Ordinary Shares are set out in the Constitution and are also regulated by the Corporations Act, Listing Rules and the general law. This Section briefly summarises the key rights attaching to the Ordinary Shares. It is not intended to be an exhaustive summary of the rights and obligations of Ordinary Shareholders. Investors who wish to inspect the Constitution may do so at the registered office of Bendigo and Adelaide Bank during normal office hours or may obtain a copy as provided under Section 8.2.

8.4.1 Voting rights

Subject to any rights or restrictions attached to any shares or class of shares, each Ordinary Shareholder is entitled to attend and vote at a general meeting of Bendigo and Adelaide Bank. Any resolution being considered at a general meeting is to be decided on a show of hands unless a poll is demanded. On a show of hands, each Ordinary Shareholder present has one vote. On a poll, each Ordinary Shareholder has one

vote for each fully paid Ordinary Share held. Partly paid shares confer that fraction of a vote which is equal to the proportion which the amount paid bears to the total issue price of the share.

In the case of an equality of votes, the Chairman has, both on a show of hands and at a poll, a casting vote in addition to the vote or votes to which the Chairman may be entitled as an Ordinary Shareholder or as a proxy, attorney or duly appointed representative of an Ordinary Shareholder.

8.4.2 General meetings

Subject to the Corporations Act and Listing Rules, each holder of Ordinary Shares is entitled to receive notice of general meetings of Bendigo and Adelaide Bank and to receive all notices, accounts and other documents required to be sent to Ordinary Shareholders under Bendigo and Adelaide Bank's Constitution, the Corporations Act or Listing Rules. Bendigo and Adelaide Bank may give notice to any Ordinary Shareholder personally by leaving it at the Ordinary Shareholder's registered address or by sending it by prepaid post, facsimile transmission or electronically to the Ordinary Shareholder's registered address, fax number or electronic mail address.

8.4.3 Dividend entitlement

Subject to the Corporations Act, the Constitution and the terms of issue of Ordinary Shares, the Board may resolve to pay dividends on Ordinary Shares which are considered by the Board to be appropriate, in proportion to the capital paid up on the Ordinary Shares held by each Ordinary Shareholder (subject to the rights of holders of shares carrying preferred rights including CPS2). When declaring a dividend the Board may determine that payment of the dividend be effected wholly or in part by the distribution of specific assets or documents of title and in particular by the issue or transfer of paid up shares, debentures, debenture stock or grant of options of Bendigo and Adelaide Bank or any other corporation.

8.4.4 Dividend reinvestment plan

The Board may establish and maintain one or more dividend plans under which Ordinary Shareholders may, among other alternatives, elect with respect to some or all of their Ordinary Shares to reinvest the dividend by subscribing for new Ordinary Shares in Bendigo and Adelaide Bank.

8.4.5 Rights of Ordinary Shareholders on a winding up of Bendigo and Adelaide Bank

If Bendigo and Adelaide Bank is wound up, the liquidator may divide among all or any of the contributories as the liquidator thinks fit, in specie or in kind, any part of the assets of the Bendigo and Adelaide Bank, and may vest any part of the assets of Bendigo and Adelaide Bank in trustees on any trusts for the benefit of all or any of the contributories as the liquidator thinks fit. Depositors and other creditors will be paid out in priority to holders of Ordinary Shares. Any surplus available will be distributed among Ordinary Shareholders in accordance with the Corporations Act.

8.4.6 Transfer of Ordinary Shares

Bendigo and Adelaide Bank Ordinary Shares, when quoted on ASX, are transferable by:

- a written transfer in the usual or common form or in any form the Board may prescribe or in a particular case accept, duly stamped (if necessary) being delivered to Bendigo and Adelaide Bank;
- a proper ASX Settlement Pty Ltd (ABN 49 008 504 532) transfer, which is to be in the form required or permitted by the Corporations Act or the settlement rules of ASX Settlement Pty Ltd; or
- any other electronic system established or recognised by the Listing Rules in which Bendigo and Adelaide Bank participates in accordance with the rules of that system.

The Board may, subject to the requirements of the Corporations Act and Listing Rules, refuse to register any transfer of shares in Bendigo and Adelaide Bank if the registration would infringe an applicable law or Listing Rule, or if the transfer concerns securities over which Bendigo and Adelaide Bank has a lien or which are subject to forfeiture, or if it is permitted to do so under the Listing Rules.

8.4.7 Issues of further shares

Subject to the Constitution, the Corporations Act and the Listing Rules, the Board may issue, or grant options in respect of, shares on such terms as the Board decides. In particular, the Board may issue preference shares, including redeemable preference shares, with preferred, deferred or special rights or restrictions in relation to dividends, voting, return of capital and participation in surplus on a winding up of Bendigo and Adelaide Bank.

8.4.8 Variation of rights

Bendigo and Adelaide Bank may only modify or vary the rights attaching to any class of shares with the prior approval, by a special resolution, of the holders of shares in that class at a meeting of those holders, or with the written consent of the holders of at least 75% of the issued shares of that class. Subject to the terms of issue, the rights attached to a class of shares are not treated as varied by the issue of further shares which rank equally with that existing class for participation in profits and assets of Bendigo and Adelaide Bank.

8.4.9 Variation of the Constitution

The Constitution can only be modified by a special resolution in accordance with the Corporations Act. Under the Corporations Act, for a resolution to be passed as a special resolution it must be passed by at least 75% of the votes cast by members entitled to vote on the resolution.

8.5 Rights and liabilities attaching to NOHC ordinary shares

If a NOHC Event occurs and the CPS2 Terms are amended to enable substitution of the NOHC as the issuer of ordinary shares on Conversion (including Mandatory Conversion), the rights and liabilities of the NOHC ordinary shares will not be materially different to the rights and liabilities of Ordinary Shares in Bendigo and Adelaide Bank. The Approved NOHC will be obliged to use all reasonable endeavours to obtain quotation of the Approved NOHC Ordinary Shares issued on Conversion – see 14.1 of the CPS2 Terms.

8.6 Summary of the Offer Management Agreement

Bendigo and Adelaide Bank has entered into an Offer Management Agreement (“**OMA**”) with the Joint Lead Managers. Under the OMA, the Joint Lead Managers agreed to manage the Offer, including the Bookbuild and Allocation process in relation to the Offer and to provide settlement support for the settlement obligations of Syndicate Brokers and Institutional Investors under the Bookbuild.

The following is the summary of the principal provisions of the OMA.

8.6.1 Fees

The fees payable to the Joint Lead Managers are set out in Section 9.2. The Joint Lead Managers are responsible for paying all selling fees and other commissions payable to the Syndicate Brokers under the Bookbuild.

Bendigo and Adelaide Bank must also pay or reimburse each Joint Lead Manager for reasonable costs of and incidental to the Offer (including reasonable expenses incurred for travel, printing and preparing presentation materials), subject to certain limits.

8.6.2 Representations, warranties and undertakings

Bendigo and Adelaide Bank gives various representations, warranties and undertakings to the Joint Lead Managers, including that this Prospectus and certain other documents issued by Bendigo and Adelaide Bank in respect of the Offer (“**Offer Documents**”) and the conduct of all parts of the Offer comply with all applicable laws, including the Corporations Act, the Listing Rules, any legally binding requirements of APRA and the conditions of any ASIC instruments and ASX waivers.

With the exception of the Offer and certain other corporate actions (including the conversion of any relevant convertible securities which are on issue as of the date of the OMA), Bendigo and Adelaide Bank has also agreed that it will not, and will procure that neither it nor any of its controlled entities, allot, agree to allot, announce any issue of, indicate in any way that it may or will allot, or otherwise authorise the issue, of any hybrid or preference securities in Australia with either Tier 1 or Tier 2 Capital status before 2 December 2014 without the Joint Lead Managers’ prior written consent.

8.6.3 Indemnity

Bendigo and Adelaide Bank has agreed to indemnify the Joint Lead Managers and certain affiliated parties against all claims, demands, damages, losses, costs, expenses, imposts and liabilities suffered by them arising directly or indirectly from the Offer or the OMA. This indemnity is subject to limited exclusions, including exclusions for losses that have resulted from the fraud, recklessness, wilful misconduct or negligence of an indemnified party, losses which are attributable to any amount in respect of which an indemnity would be illegal, void or unenforceable under any applicable law, or where losses are a criminal penalty or fine which the indemnified party is required to pay in connection with a contravention by it of the Corporations Act.

8.6.4 Termination Events

Each Joint Lead Manager may terminate its obligations under the OMA by notice to Bendigo and Adelaide Bank and the other Joint Lead Managers if it becomes aware of the happening of any one or more of the following events:

- a) the credit rating assigned to Bendigo and Adelaide Bank on 3 September 2014 by Standard & Poor’s or Moody’s Investor Services is downgraded or withdrawn or that credit rating is placed on credit watch negative; or
- b) a material contravention by Bendigo and Adelaide Bank or any of its controlled entities of the Corporations Act, or any legally binding requirement of ASIC, APRA or ASX, its constitution or any of the Listing Rules or other applicable law or regulation; or
- c) any of the Offer Documents, or any aspect of the Offer does, not comply with the Corporations Act, the Listing Rules or any other applicable law or regulation; or

- d) Bendigo and Adelaide Bank issues without the prior written consent of the Joint Lead Managers, or in the reasonable opinion of that Joint Lead Manager becomes required to issue, a supplementary prospectus pursuant to section 719 (other than a replacement prospectus to be issued with the inclusion of the Margin) of the Corporations Act; or
- e) Bendigo and Adelaide Bank fails to deliver a certificate in accordance with the OMA; or
- f) approval is refused or not granted, other than subject to customary conditions, to the official quotation of all the CPS2 on ASX on or before the Issue Date, or if granted, the approval is subsequently withdrawn, qualified or withheld; or
- g) any of the following notifications are made:
 - ASIC gives notice of an intention to hold a hearing, issues an order or issues an interim order under section 739 of the Corporations Act;
 - an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Offer or the Offer Documents or ASIC commences any investigation or hearing under Part 3 of the *Australian Securities & Investments Commission Act 2001* (Cth) in relation to the Offer or the Offer Documents, and such application, investigation or hearing (as applicable) whether or not withdrawn becomes publicly known, or has not been withdrawn within two Business Days after it is made or prior to the Issue Date, whichever is earlier; or
 - any person (other than the Joint Lead Manager seeking to terminate) who has previously consented to the inclusion of its name in the Prospectus (or any supplementary prospectus) or to be named in the Prospectus withdraws that consent; or
- h) Bendigo and Adelaide Bank withdraws, or publicly indicates that it does not intend to proceed with, the Prospectus or the Offer other than in accordance with the OMA; or
- i) the S&P/ASX All Ordinaries Index, the S&P/ASX 200 or the Dow Jones Industrial Average:
 - falls to a level that is 85% or less than its prescribed starting level at any time up to the Issue Date; or
 - is below 90% of its prescribed starting level at the close of trading for any three consecutive Business Days or on any day within the three Business Days prior to the Issue Date; or
- j) Bendigo and Adelaide Bank or any of its directors or officers (as that term is defined in the Corporations Act), engage in any fraudulent conduct or activity whether or not in connection with the Offer; or
- k) any licence, permit, authorisation or consent which is material to anything referred to in the Offer Documents or necessary to conduct the business of Bendigo and Adelaide Bank or a controlled entity of Bendigo and Adelaide Bank is repealed, revoked, terminated or expires in a manner unacceptable to the Joint Lead Managers acting reasonably; or
- l) Bendigo and Adelaide Bank is insolvent (as set out in the OMA) or there is an act or omission made which may result in Bendigo and Adelaide Bank becoming insolvent; or
- m) a director of Bendigo and Adelaide Bank is charged with an indictable offence relating to any financial or corporate matter or fraudulent or misleading or deceptive conduct, or any government agency commences any public action against any of Bendigo and Adelaide Bank's directors in their capacity as a director of Bendigo and Adelaide Bank, or a director of Bendigo and Adelaide Bank is disqualified from managing a corporation under Part 2D.6 of the Corporations Act; or
- n) Bendigo and Adelaide Bank is prevented from allotting and issuing the CPS2 within the time required by the timetable under the OMA, the Corporations Act, Listing Rules, applicable laws, an order of a court of competent jurisdiction or a government agency; or
- o) the occurrence of:
 - a suspension or limitation (in each case persisting for at least one Business Day) in trading in securities generally on ASX, the New York Stock Exchange and/or the London Stock Exchange;
 - a suspension or limitation (in each case persisting for at least one Business Day) in trading in Bendigo and Adelaide Bank's securities on ASX (other than a trading halt in connection with the Offer);
 - a general moratorium on commercial banking activities in Australia, New Zealand, the United States or the United Kingdom is declared by the relevant authorities, or there is a material disruption in commercial banking or securities settlement or clearance services in the those places; or
 - the occurrence of any other calamity or crisis or any change in financial, political or economic conditions or currency exchange rates or controls in Australia, New Zealand, Singapore, Hong Kong or the United States, the United Kingdom or elsewhere; or
- p) there is a Tax Event (within the meaning of the CPS2 Terms); or
- q) any government agency commences any public action against Bendigo and Adelaide Bank (including a prosecution of or a hearing or investigation into, Bendigo and Adelaide Bank), or announces that it intends to take such action; or

- r) hostilities not presently existing commence (whether war has been declared or not) or a major escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States, the United Kingdom, Indonesia, Japan, Russia or the People's Republic of China, Iraq, North or South Korea, or any member state of the European Union or a major terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries or elsewhere in the world; or
- s) a change in the Board of Directors of Bendigo and Adelaide Bank occurs or there is a change to the Chief Executive Officer or Chief Financial Officer of Bendigo and Adelaide Bank; or
- t) there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any State of Australia or the Parliament of New Zealand, a new law, or the Reserve Bank of Australia, or any Commonwealth or State or New Zealand authority, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before 3 September 2014), any of which does or is likely to prohibit or adversely affect the Offer, capital issues or stock markets; or
- u) a default by Bendigo and Adelaide Bank in the performance or observance of any of its obligations under the OMA occurs; or
- v) a representation or warranty made or given, or deemed to have been made or given by Bendigo and Adelaide Bank under the OMA proves to be, or to have been, or becomes not true or not correct; or
- w) a certificate under the OMA is not true or correct; or
- x) the due diligence report of the due diligence committee established in connection with the Offer or any other information supplied by or on behalf of Bendigo and Adelaide Bank to a Joint Lead Manager in relation to Bendigo and Adelaide Bank and its controlled entities or the Offer is misleading or deceptive (including by omission); or
- y) any aspect of the Offer does not comply with the Corporations Act, the Listing Rules or any other applicable law or regulation; or
- z) any event specified in the timetable in the OMA is delayed for more than 3 Business Days without the prior written approval of the Joint Lead Managers (such approval not to be unreasonably withheld); or
- aa) Bendigo and Adelaide Bank alters its share capital (other than in a way contemplated in the Prospectus) or its Constitution (other than as notified in writing to the Joint Lead Managers prior to the date of this agreement) in any material respect without first obtaining the written consent of the Joint Lead Managers (which will not be unreasonably withheld or delayed); or
- bb) a member of the Bank Group (other than Bendigo and Adelaide Bank) is insolvent (as set out in the OMA) or there is an act or omission made which may result in a member of the Bank Group (other than Bendigo and Adelaide Bank) becoming insolvent; or
- cc) any adverse change occurs (or becomes known), after lodgement of the Prospectus in the assets, liabilities, financial position or performance, profits, losses or prospects of Bendigo and Adelaide Bank, or Bendigo and Adelaide Bank and its controlled entities (taken as a whole), including any adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of Bendigo and Adelaide Bank, or Bendigo and Adelaide Bank and its controlled entities (taken as a whole), from those respectively disclosed in:
 - the Prospectus; or
 - any publicity, media statements, announcements, advertisements, presentations or other materials produced, used or made by or on behalf of Bendigo and Adelaide Bank with Bendigo and Adelaide Bank's prior approval in connection with the Offer; or
 - public announcements and other media statements made by or on behalf of the Bendigo and Adelaide Bank with the Bendigo and Adelaide Bank's prior approval in relation to the affairs of Bendigo and Adelaide Bank or its controlled entities, in the period from the lodgement date of the Prospectus until the time when all of the CPS2 have been issued in accordance with the Offer (taken together and having regard to the extent to which later statements may supersede earlier statements); or
- dd) there occurs a new circumstance that has arisen since the Prospectus was lodged that would have been required to be included in the Prospectus if it had arisen before the Prospectus was lodged in relation to Bendigo and Adelaide Bank or any of its controlled entities (other than the replacement prospectus to be issued with the inclusion of the Margin).

If an event referred to in any of paragraphs (o) to (dd) occurs, a Joint Lead Manager may not terminate its obligations under the OMA unless, in the actual and reasonable opinion of that Joint Lead Manager, the event has or is likely to have a materially adverse effect on the outcome of the Offer or on settlement of the Offer, or leads or is likely to lead to a Joint Lead Manager (i) being involved in a contravention of the Corporations Act or any other applicable law, or (ii) incurring a liability under the Corporations Act or any applicable law, regulation, treaty, or administrative action.

8.7 Consents

Each of the parties (referred to as “**Consenting Parties**”) who are named below:

- has not made any statement in this Prospectus or any statement on which a statement made in this Prospectus is based, other than, in the case of Allens, its Australian Tax Letter in Section 7;
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements or omissions from this Prospectus, other than the reference to its name and, in the case of Allens, its Australian Tax Letter in Section 7;
- has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named; and
- in the case of Allens, has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to the inclusion of the Australian Tax Letter in the form and context in which it appears in Section 7.

| Role | Consenting parties |
|-----------------------|---|
| Arranger | Goldman Sachs |
| Joint Lead Managers | Goldman Sachs ANZ Securities Evans & Partners Morgan Stanley |
| Auditor | Ernst & Young |
| Legal and tax adviser | Allens |
| Co-Managers | JBWere Bell Potter |
| Registry | Computershare Investor Services Pty Limited |

8.8 ASX relief

ASX has confirmed that:

- CPS2 are not considered to be options for the purposes of the Listing Rules;
- Listing Rule 3.20.2 will not apply to the Conversion of CPS2 following a Non-Viability Trigger Event;
- the CPS2 Terms are appropriate and equitable for the purpose of Listing Rule 6.1;
- Listing Rule 6.3 has been waived to the extent necessary to permit the CPS2 to carry the voting rights as set out in the CPS2 Terms;
- the terms of the CPS2 meet the requirements of Listing Rule 6.5;
- the terms of the APRA constraints on the payment on Dividends (including the Dividend Payment Tests) do not amount to a removal of a right to a dividend for the purposes of Listing Rule 6.10;
- Conversion or Redemption by Bendigo and Adelaide Bank as provided in the CPS2 Terms is appropriate and equitable for the purposes of Listing Rule 6.12;
- under Listing Rule 7.1B.1 ASX does not object to Bendigo and Adelaide Bank, for the purposes of calculating the number of CPS2 that may be issued without prior securityholder approval, notionally Converting CPS2 into Ordinary Shares based on the market price of Ordinary Shares at the close of trade on the trading day prior to the date of issue of this Prospectus;
- the issue of Ordinary Shares on Conversion of the CPS2 will be within Exception 4 of Listing Rule 7.2, and not subject to Listing Rule 7.1;
- Listing Rule 10.11 has been waived to permit Directors (and their associates) to participate in the Offer and be issued CPS2, without securityholder approval, on the following conditions:
 - the number of CPS2 which may be issued to the Directors (and their associates) collectively is no more than 0.2% of the total number of CPS2 issued under the Offer;
 - the participation of the Directors (and their associates) is on the same terms and conditions as other subscribers for CPS2;
 - Bendigo and Adelaide Bank releases the terms of the waiver to the market; and
 - when CPS2 are issued, Bendigo and Adelaide Bank announces to the market the total number of CPS2 issued to the Directors (and their associates) in aggregate; and
- the issue of Ordinary Shares on Conversion of CPS2 would fall within Exception 7 of Listing Rule 10.12.

ASX has also agreed to allow CPS2 to trade on a deferred settlement basis for a short time following the issue of CPS2.

ASX has also confirmed, in relation to the Reinvestment Offer, that a holding lock will apply to the SPS of those SPS Holders who elect to participate in the Reinvestment Offer.

8.9 ASIC relief

ASIC relief has been obtained in respect of the operation of section 713 of the Corporations Act to allow Bendigo and Adelaide Bank to issue a “transaction-specific” prospectus in relation to the Offer of CPS2 converting into Ordinary Shares (being continuously quoted) or ordinary shares issued by the NOHC in certain circumstances.

8.10 Foreign selling restrictions

As at the date of this Prospectus, no action has been taken to register or qualify CPS2 or the Offer or to otherwise permit a public offering of CPS2 outside Australia.

The distribution of this Prospectus (including an electronic copy) outside Australia may be restricted by law. If you come into possession of this Prospectus outside Australia, then you should seek advice on, and observe, any such restrictions. Any failure to comply with such restrictions may violate securities laws. This Prospectus does not constitute an offer or invitation in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

In particular, CPS2 have not been and will not be registered under the US Securities Act or the securities laws of any state of the United States, and may not be offered or sold in the United States or to, or for the account or benefit of, a US Person.

Any offer, sale or resale of CPS2 in the United States by a dealer (whether or not participating in the Offer) may violate the registration requirements of the US Securities Act. CPS2 may be offered in a jurisdiction outside Australia under the Institutional Offer where such offer is made in accordance with the laws of that jurisdiction.

Each person submitting an Application Form will be deemed to have acknowledged that it is aware of the restrictions referred to in this Section 8.10 and to have represented and warranted that it is able to apply for and acquire CPS2 in compliance with those restrictions.

8.11 Acknowledgements

By submitting an Application Form, each Applicant will be deemed to have:

- represented and warranted that they have read and understood the Prospectus and accompanying Application Form in full;
- represented and warranted that all details and statements on their Application Form are complete and accurate;
- acknowledged that they understand the CPS2 Terms and have had the opportunity to consider the suitability of an investment in CPS2 with their professional advisers;
- declared that the Applicant (if a natural person) is at least 18 years old;
- declared that the Applicant is not in the United States or other place outside Australia or a U.S. Person, nor acting for the account or benefit of any U.S. Person;
- declared that the Applicant is an Australian resident;
- represented and warranted that the laws of any other place do not prohibit the Applicant from being given the Prospectus or any supplementary or replacement Prospectus or making an application on the Application Form or being issued with CPS2;
- provided authorisation to be registered as the holder of CPS2 issued to the Applicant, to become a member of Bendigo and Adelaide Bank, and agreed to be bound by the Constitution, this Prospectus and the CPS2 Terms;
- applied for the number of CPS2 set out or determined in accordance with the Application Form and agreed to be allocated that number of CPS2 or a lesser number;
- acknowledged that CPS2 are not deposit liabilities of Bendigo and Adelaide Bank, are not protected accounts for the purposes of the Banking Act and are not guaranteed or insured by any government or government agency or compensation scheme of Australia or any other jurisdiction, give Holders no claim on Bendigo and Adelaide Bank except as provided in the CPS2 Terms, and that the investment performance of CPS2 is not guaranteed by Bendigo and Adelaide Bank;
- acknowledged that, in some circumstances, Bendigo and Adelaide Bank may not pay Dividends or any other amount payable on the CPS2;
- authorised Bendigo and Adelaide Bank and the Joint Lead Managers to do anything on the Applicant's behalf necessary for CPS2 to be allocated to them;

- acknowledged that the information contained in this Prospectus is not investment advice or a recommendation that CPS2 are suitable for them, given their investment objectives, financial situation or particular needs;
- acknowledged that their Application to acquire CPS2 is irrevocable and may not be varied or withdrawn except as allowed by law;
- acknowledged that an Application may be rejected without giving any reason, including where the Application Form is not properly completed or where a cheque submitted with the Application Form is dishonoured or for the wrong amount; and
- acknowledged that if the Applicant is not issued CPS2 or issued fewer CPS2 than the number applied and paid for as a result of the scale back, all or some of their Application Payment (as applicable) will be refunded (without interest) as soon as practicable after the Issue Date.

8.12 Privacy statement

If you apply for CPS2, you will provide personal information to Bendigo and Adelaide Bank or its agents. Bendigo and Adelaide Bank and its agents collect, hold and use your personal information in order to assess and process your Application, service your needs as a Holder, provide facilities and services that you request, send you information about the products and services of members of the Bank Group, including future offers of securities, and carry out appropriate administration of your investment.

Some of the information which will be collected is required pursuant to tax and company law. If you do not provide the information requested, your CPS2 application may not be able to be processed efficiently, or at all.

To do these things, Bendigo and Adelaide Bank may disclose your personal information for purposes related to your investment to ASX and to related bodies corporate, agents and organisations that carry out functions on the Bank Group's behalf such as mailing houses and information technology service providers. Confidentiality agreements with these entities ensure this information is only used to carry out functions on the Bank Group's behalf. Bendigo and Adelaide Bank may also use and disclose your personal information as required or authorised by law (including, without limitation, any law relating to taxation, money laundering or counter-terrorism). This may include disclosure to domestic and overseas regulators or other government agencies (including ASIC and the Australian Taxation Office), stock exchanges, and the public by way of public registers maintained by regulators or other bodies.

If you become a Holder, your information may be used for purposes related to your investment (including as noted above) and may also be shared with the Bank Group and its joint ventures so that you can be told about products and services, including future offers of securities, offered or distributed by the Bank Group or its joint ventures or other matters concerning the Bank Group generally that Bendigo and Adelaide Bank thinks may be of interest to you. Some uses and disclosures may occur outside of Australia.

You agree that the contact details you provide to Bendigo and Adelaide Bank can be used by any member of the Bank Group or any of the Bank Group's joint ventures indefinitely for these purposes.

If you do not want your personal information to be used for these purposes, you should contact Bendigo and Adelaide Bank on the contact details below. It is important that you contact Bendigo and Adelaide Bank if you do not consent to this use because, by investing in CPS2, you will be taken to have consented.

Under the Privacy Act, you may request access to your personal information held by (or on behalf of) Bendigo and Adelaide Bank. You can request access to your personal information held by Bendigo and Adelaide Bank by contacting Bendigo and Adelaide Bank as follows:

Share Registry
Bendigo and Adelaide Bank Limited
PO Box 480
Bendigo VIC 3552
Telephone: 1800 646 042

A copy of the privacy policy of Bendigo and Adelaide Bank is available at www.bendigoadelaide.com.au. This contains further information about how you may access and seek correction of the personal information that Bendigo and Adelaide Bank holds about you, how you may complain about a breach of the Privacy Act by Bendigo and Adelaide Bank and how Bendigo and Adelaide Bank will deal with such a complaint.

8.13 Governing Law

This Prospectus and the contracts that arise from the acceptance of the Applications are governed by the laws applicable in Victoria and each Applicant submits to the non-exclusive jurisdiction of the courts of Victoria.

8.14 Directors statement

Each Director has authorised the issue of this Prospectus and has consented to the lodgement of this Prospectus with ASIC.

9. Key People, Interests and Benefits

This Section provides information about the Board of Directors of Bendigo and Adelaide Bank, the interests of people involved in the Offer and any benefits they may receive.

9.1 Key Bendigo and Adelaide Bank personnel

9.1.1 Board

| Director/Position | Experience, qualifications and expertise |
|--|---|
| <p>Robert Johanson Chair, Independent <i>BA, LL.M (Melb), MBA (Harvard), 63 years</i></p> | <p>Term of office: Robert has been a director of the Bank for 26 years. He was appointed Chair in 2006.</p> <p>Skills, experience and expertise: Robert has experience in banking and financial services and expertise in corporate strategy, capital management, risk management and mergers and acquisitions. He has over 30 years' experience in providing corporate advice on capital market transactions to a wide range of public and private companies.</p> <p>Board committees: Governance and HR, Technology and Change</p> <p>Group and joint venture directorships: Rural Bank Ltd and Homesafe Solutions Pty Ltd (Chair).</p> <p>Other director and memberships (current and within last 3 years):</p> <ul style="list-style-type: none"> • Member, Takeovers Panel; • Deputy Chancellor, University of Melbourne and Chairman, Australia India Institute and Chairman of The Conversation; • Director, Robert Salzer Foundation Ltd; and • Director of Grant Samuel Group Pty Ltd. |
| <p>Mike Hirst Managing Director, not independent <i>BCom (Melb), SFin, 56 years</i></p> | <p>Term of office: Mike was appointed as Managing Director and Chief Executive Officer of the Bank in 2009.</p> <p>Skills, experience and expertise: Mike joined the Group when he was appointed as a director of Sandhurst Trustees Limited (a wealth management subsidiary of the Bank) in 2001 and he became an employee of the Bank later in 2001. Mike has extensive experience in banking, treasury, funds management and financial markets, including previous senior executive and management positions with Colonial Ltd, Chase AMP Bank Ltd and Westpac Banking Corporation.</p> <p>Board committees: Mike has a standing invitation to attend meetings of all Board committees. He is not a member of these Board committees.</p> <p>Group and joint venture directorships: Rural Bank Ltd</p> <p>Other director and memberships (current and within last 3 years):</p> <ul style="list-style-type: none"> • Director, Treasury Corporation of Victoria; • Member, Financial Sector Advisory Council and Business Council of Australia; • Deputy Chairman, Australian Bankers' Association Council; and • Member, Centre for Workplace Leadership Advisory Board. |

| Director/Position | Experience, qualifications and expertise |
|--|---|
| <p>Jenny Dawson Independent <i>B Bus (Acc), FCA, MAICD, 49 years</i></p> | <p>Term of office: Jenny joined the Board in 1999.</p> <p>Skills, experience and expertise: Jenny has experience in financial reporting and audit, IT internal control reviews, internal audit and risk management. Jenny worked with Arthur Andersen for ten years in the audit and IT controls division, and also worked for the Bank (her employment ended in 1999).</p> <p>Board committees: Audit (Chair), Credit</p> <p>Group and joint venture directorships: Sandhurst Trustees Ltd (Chair), Community Sector Banking Pty Ltd, Community Sector Enterprises Pty Ltd</p> <p>Other director and memberships (current and within last 3 years):</p> <ul style="list-style-type: none"> • Member, Victorian Regional Policy Advisory Committee; • Chair, Regional Development Australia Committee for the Loddon Mallee Region; • Independent Chair, Audit Committee – Goulburn-Murray Water; and • Former Director, Goulburn-Murray Water (ended 2012) |
| <p>Jim Hazel Independent <i>BEc, SFFin, FAICD, 63 years</i></p> | <p>Term of office: Jim joined the Board in 2010.</p> <p>Skills, experience and expertise: Jim is a professional public company director who has had an extensive career in banking and finance, including in the regional banking industry. Jim was Chief General Manager at Adelaide Bank (his employment ended in 1999).</p> <p>Board committees: Risk (Chair), Credit, Governance and HR</p> <p>Group and joint venture directorships: Rural Bank Ltd</p> <p>Other director and memberships (current and within last 3 years):</p> <ul style="list-style-type: none"> • Chairman, Ingenia Communities Group Ltd (ASX listed, period June 2012 to present); and • Director, Centrex Metals Ltd (ASX listed, period of directorship: 2010 to present), Impedimed Ltd (ASX listed, period of directorship: 2007 to present), Motor Accident Commission and Coopers Brewery Ltd. |
| <p>Jacqueline Hey Independent <i>BCom (Melb), Graduate Certificate in Management (Southern Cross University), GAICD, 48 years</i></p> | <p>Term of office: Jacquie joined the Board in July 2011.</p> <p>Skills, experience and expertise: Jacquie has experience in the areas of information technology, telecommunications and marketing, including as CEO/Managing Director of Ericsson in the UK and in Australia. Jacquie worked with Ericsson for more than 20 years in finance, marketing and sales and in leadership roles in Australia, Sweden, the UK and the Middle East.</p> <p>Board committees: Audit, Risk, Technology and Change (Chair)</p> <p>Group and joint venture directorships: n/a</p> <p>Other director and memberships (current and within last 3 years):</p> <ul style="list-style-type: none"> • Director, Qantas Airways Limited (ASX listed, period August 2013 to present), Australian Foundation Investment Company Limited (ASX listed, period July 2013 to present), Special Broadcasting Service (SBS), Cricket Australia, Melbourne Business School and Honorary Consul of Sweden for Victoria. |

| Director/Position | Experience, qualifications and expertise |
|--|--|
| <p>Robert Hubbard</p> <p>Independent</p> <p><i>BA(Hons) Accy, FCA, MAICD, 55 years</i></p> | <p>Term of Office: Rob joined the Board in April 2013.</p> <p>Skills, experience and expertise: Rob is an accountant and auditor based in Brisbane. He retired as a partner of PricewaterhouseCoopers in March 2013 after 22 years practising in the areas of corporate advice and audit, where he was the auditor of some of Australia's largest listed companies. Rob also provided accounting and due diligence services for acquisitions, divestments, capital raisings and public takeovers. Rob is now a professional non-executive director.</p> <p>Board committees: Audit, Risk</p> <p>Group and joint venture directorships: n/a</p> <p>Other director and memberships (current and within last 3 years):</p> <ul style="list-style-type: none"> • Director, Orocobre Ltd (ASX and TSX listed, period of directorship November 2012 to present); • Director, Central Petroleum Ltd (ASX listed, period December 2013 to present); and • Chairman of Opera Queensland, a Director of JK Tech Pty Ltd, Multiple Sclerosis Australia, MS Research Australia and Council member of the University of the Sunshine Coast. |
| <p>David Matthews</p> <p>Independent</p> <p><i>Dip BIT, GAICD, 56 years</i></p> | <p>Term of office: David joined the Board in 2010.</p> <p>Skills, experience and expertise: David has experience in small business and agri-business. David has involvement in a number of agricultural industry bodies including as a Director and Vice Chairman of Pulse Australia and as a former Director of Australian Field Crops Association. David has a strong connection to regional communities and is an advocate and supporter of the Community Bank[®] model. He chaired the first Community Bank[®] company in Rupanyup and Minyip when it was first established in 1998.</p> <p>Board committees: Credit, Audit</p> <p>Group and joint venture directorships: Rural Bank Limited</p> <p>Former Co-Chair and current member of the Community Bank[®] Strategic Advisory Board.</p> <p>Other director and memberships (current and within last 3 years):</p> <ul style="list-style-type: none"> • Director, Pulse Australia, Rupanyup/Minyip Finance Group Ltd. |
| <p>Deb Radford</p> <p>Independent</p> <p><i>B.Ec, Graduate Diploma Finance & Investment, 58 years</i></p> | <p>Term of office: Deb joined the Board in 2006.</p> <p>Skills, experience and expertise: Deb has over 20 years' experience in the banking industry with both international and local banks. Deb also worked in the Victorian State Treasury, and ran her own consulting business between 2001 and 2007 advising the government on commercial transactions.</p> <p>Board committees: Credit (Chair), Technology and Change, Governance and HR</p> <p>Group and joint venture directorships: n/a</p> <p>Other director and memberships (current and within last 3 years):</p> <ul style="list-style-type: none"> • Director, SMS Management & Technology Ltd (ASX listed, period September 2013 to present); and • Former Director, Forestry Tasmania (ceased 30 June 2012) and City West Water (ceased 30 September 2011). |

| Director/Position | Experience, qualifications and expertise |
|--|---|
| <p>Tony Robinson Independent <i>B Com (Melb), ASA, MBA (Melb), 56 years</i></p> | <p>Term of office: Tony joined the Board in 2006.</p> <p>Skills, experience and expertise: Tony has many years' experience in financial services, particularly wealth management and insurance. Tony's previous roles include managing director of Centrepoint Alliance Limited, chief executive officer of IOOF Holdings Ltd, managing director of OAMPS Limited, joint managing director of Falkiners Stockbroking, managing director of WealthPoint, and senior executive positions at Link Telecommunications and Mayne Nickless.</p> <p>Board committees: Risk, Governance and HR (Chair)</p> <p>Group and joint venture directorships: n/a</p> <p>Other director and memberships (current and within last 3 years):</p> <ul style="list-style-type: none"> • Executive Director, Oncard International Limited (ASX listed, period June 2014 to present); and • Former director, Centrepoint Alliance Limited (ASX listed, period of directorship: 2009 to 2013). |

9.1.2 Executives

| Director/Position | Experience, qualifications and expertise |
|--|---|
| <p>Marnie Baker Customer Voice</p> | <ul style="list-style-type: none"> • Marnie Baker joined the then Bendigo Building Society in 1989 and was elevated to the executive team in 2000. • During this time Marnie has held a number of senior positions within Retail & Third Party Banking, Wealth Management, Treasury, Structured Finance, and Corporate Support. • Marnie has been the Chief Executive Officer of Sandhurst Trustees Ltd and is currently a Director of Sandhurst Trustees Ltd, Linear Financial Holdings Pty Ltd and Australian Friendly Society Ltd. |
| <p>Dennis Bice Retail</p> | <ul style="list-style-type: none"> • Dennis Bice joined the former Eaglehawk Star Building Society in 1975 and has spent more than 35 years focussing on retail banking. • He has a keen understanding of our customers and their needs and has been involved with some of Bendigo and Adelaide Bank's key mergers and acquisitions, including IOOF, First Australian Building Society and Adelaide Bank. • Dennis' most recent role as Chief Manager Retail and Distribution saw him oversee Bendigo and Adelaide Bank's retail strategy and his current role leading Retail sees him focus on the national retail network, specialised lending and agencies. |
| <p>John Billington Bendigo Wealth</p> | <ul style="list-style-type: none"> • John Billington joined Bendigo and Adelaide Bank in 2010 and has more than 20 years' experience in the banking and finance sector. • Prior to joining Bendigo and Adelaide Bank, John was General Manager of IOOF Portfolio Solutions and Managing Partner Financial Services with Deloitte Consulting. John is also a director of Sandhurst Trustees Limited, Bendigo Financial Planning Limited, and Leveraged Equities and a board member of Cool Australia. |
| <p>Stella Thredgold Corporate Resources</p> | <ul style="list-style-type: none"> • Stella Thredgold joined the Cooperative Building Society in 1987. Holding a Bachelor of Business in Accountancy, she held various senior positions in finance and accounting until 1999. • Since then she has held a number of senior roles in Bendigo and Adelaide Bank including Access and Payment Systems, Strategic Sourcing and Properties. |

| Director/Position | Experience, qualifications and expertise |
|--|---|
| <p>Andrew Watts Customer Service Improvement</p> | <ul style="list-style-type: none"> • Andrew Watts joined Bendigo Building Society in 1994, just prior to bank conversion in 1995. Andrew holds a Bachelor of Engineering and Graduate Diploma of Business Administration. • He has held a number of management roles within Bendigo and Adelaide Bank's Marketing, Retail, Change and IT business units. Some of his roles have included Senior Manager of Direct Banking and Remote Banking, Chief Manager Network Development and planning, Chief Manager – Northern Australia, Strategic Partnership Research and Analysis and Executive, Change. |
| <p>Tim Piper Risk</p> | <ul style="list-style-type: none"> • Tim Piper joined Adelaide Bank in 2005 as the General Manager of Credit Risk. He spent a short time leading the Shared Services division and was responsible for wholesale mortgages as Chief General Manager, Wholesale Mortgages. • Tim's career in finance spans almost 35 years during which time he has had direct experience with most facets of banking, from personal finance, through to middle and large commercial lending and credit risk. |
| <p>Richard Fennell Finance, Treasury and Change</p> | <ul style="list-style-type: none"> • Richard Fennell joined Adelaide Bank in 2007 after an 18 year career in finance and consulting, including roles as partner with PricewaterhouseCoopers in Australia and Hong Kong and as an executive with IBM's Business Consulting Services. Richard was appointed as Chief Financial Officer in 2009 and in 2014 took on executive responsibility for the Change Division. • Richard has also led the strategy function at Bendigo and Adelaide Bank with responsibility for mergers and acquisitions, strategic projects, the program management office and the integration of the Bendigo and Adelaide Bank business. |
| <p>Robert Musgrove Community Engagement</p> | <ul style="list-style-type: none"> • Robert joined Bendigo and Adelaide Bank in 1987 and has held a wide and varied range of positions across the Group, including playing a pivotal role in the development and expansion of the Community Bank® model. • Robert joined the Bank's executive team in 2013. |
| <p>Alexandra Tullio Geared Solutions</p> | <ul style="list-style-type: none"> • Before being appointed to the newly created role of Executive Geared Solutions, Alex was Head of Wealth Markets at Bendigo and Adelaide Bank, where she was responsible for Bendigo Wealth's advice and distribution businesses. • Alex is a director of Homesafe Solutions Pty Ltd. |

9.2 Interests and benefits

9.2.1 Directors

Under the Constitution each Director is required to hold, or be the beneficial owner of, both at the time of their appointment and during their period of office as a Director, 500 fully paid Ordinary Shares in Bendigo and Adelaide Bank.

The relevant interest of each Director (in accordance with section 205G of the Corporations Act) in Ordinary Shares of Bendigo and Adelaide Bank or a related body corporate at the date of this Prospectus is as follows:

| Director | Ordinary shares | Preference shares | Performance shares |
|-------------------------|-----------------|-------------------|--------------------|
| | No. | No. | No. |
| Robert Johanson | 203,840 | 500 | – |
| Mike Hirst ^a | 711,398 | – | 152,438 |
| Jenny Dawson | 29,718 | 100 | – |
| Jim Hazel | 17,024 | – | – |
| Jacque Hey | 4,227 | 250 | – |
| Robert Hubbard | 5,192 | – | – |
| David Matthews | 16,594 | – | – |
| Deb Radford | 1,900 | 1,390 | – |
| Tony Robinson | 10,692 | – | – |

a. Ordinary shares includes 50,000 shares issued under the Bendigo Employee Share Ownership Plan and deferred shares issued under the Salary Sacrifice, Deferred Share and Performance Share Plan.

Directors may if they choose apply for CPS2 under the Prospectus, subject to the terms of the Listing Rule 10.11 waiver referred to in Section 8.8.

The Directors (and their related parties) may acquire CPS2 offered under this Prospectus subject to the Listing Rules (including any waivers as described in Section 8.8).

Other than as set out in this Prospectus, no Director or proposed Director 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, an interest in:

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

Other than as set out in this Prospectus, at the time of lodgement of this Prospectus with ASIC 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:

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

Bendigo and Adelaide Bank's Constitution contains provisions as to remuneration of the Directors. As remuneration for services as a director, each non-executive Director is paid an amount determined by the Board, subject to a maximum annual aggregate amount determined by Ordinary Shareholders in a general meeting. The maximum annual aggregate amount has been set at \$2.5 million (excluding retirement benefits).

Each Director may also be paid additional remuneration for performance of additional services and is entitled to reimbursement of reasonable out-of-pocket expenses. The remuneration of the Managing Director may be fixed by the Board.

Bendigo and Adelaide Bank has entered into a director's access insurance and indemnity deed with each Director. Under that deed, a Director is entitled (among other things) to be indemnified against liabilities incurred as a Director to the extent permitted by law. They are also permitted to be indemnified under the Constitution and Bendigo and Adelaide Bank may enter and pay premiums on directors and officers insurance policies for their benefit.

9.2.2 Professionals

Goldman Sachs has acted as the Arranger and Joint Lead Manager for the Offer and each of ANZ Securities, Evans & Partners and Morgan Stanley have acted as Joint Lead Managers to the Offer, in respect of which they will receive fees from Bendigo and Adelaide Bank. The estimated aggregate fees payable by Bendigo and Adelaide Bank to the arranger and Joint Lead Managers are approximately \$8 million (exclusive of GST), making certain assumptions as to the allocation of CPS2 between the Broker Firm Offer, Institutional Offer, Reinvestment Offer and General Offer. The aggregate fees include an arranger fee payable to Goldman Sachs, a joint lead manager fee split equally amongst the Joint Lead Managers and broker firm selling fees payable to Syndicate Brokers.

Allens has acted as Australian legal adviser to Bendigo and Adelaide Bank in relation to the Offer and has performed work in relation to drafting the CPS2 Terms, advised on the due diligence and verification program and performing due diligence required on legal matters. In respect of this work, Bendigo and Adelaide Bank estimates that it will pay approximately \$355,000 (excluding disbursements and GST) to Allens for work up to the date of this Prospectus. Further amounts may be paid to Allens under their normal time-based charges.

Allens has also acted as tax adviser to Bendigo and Adelaide Bank in relation to the Offer and has prepared the Australian Tax Letter contained in Section 7. In respect of this work, Bendigo and Adelaide Bank estimates that it will pay approximately \$85,000 (excluding disbursements and GST) to Allens for work up to the date of this Prospectus. Further amounts may be paid to Allens under its normal time-based charges.

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 the Prospectus, a promoter of Bendigo and Adelaide Bank or Joint Lead Manager to the Offer:

- 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, an interest in:
 - the formation or promotion of Bendigo and Adelaide Bank;
 - the Offer; or
 - any property acquired or proposed to be acquired by Bendigo and Adelaide Bank in connection with the formation or promotion of Bendigo and Adelaide Bank or the Offer; or
- has paid or agreed to pay any amount, and no one has given or agreed to give any benefit for services provided by that person in connection with the formation or promotion of Bendigo and Adelaide Bank or the Offer.

9.3 Expenses of the Offer

The total expenses of the Offer will be paid out of the proceeds of the Offer. Assuming the Offer raises \$250 million, then the net proceeds of the Offer are expected to be \$241 million and the total expenses of the Offer (including fees payable to the Joint Lead Managers, legal, accounting, tax, marketing, administrative fees, as well as printing, advertising and other expenses related to this Prospectus and the Offer) are expected to be \$9 million. All of these expenses have been, or will be, borne by Bendigo and Adelaide Bank.

Appendix A – CPS2 Terms

1 Issue

1.1 Bendigo and Adelaide Bank Limited Convertible Preference Shares 2

Bendigo and Adelaide Bank Limited Convertible Preference Shares 2 are fully paid preference shares in the capital of Bendigo and Adelaide Bank Limited (ABN 11 068 049 178) (the “**Issuer**”) (“**CPS2**”). They are issued, and may be Redeemed, Converted or Resold, by the Issuer, according to these Terms. The CPS2 are designated the ‘CPS2’ for identification purposes.

CPS2 are not deposit liabilities of the Issuer, are not protected accounts for the purposes of the depositor protection provisions in Division 2 of Part II of the Banking Act or of the Financial Claims Scheme established under Division 2AA of Part II of the Banking Act and are not guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction. Subject to the provisions of these Terms dealing with conversion and redemption of the CPS2, the CPS2 are perpetual instruments and do not have a fixed maturity date.

1.2 Issue Price

The issue price of each CPS2 (“**Issue Price**”) is \$100.

2 Title and transfer

2.1 Title

Title to a CPS2 passes when details of the transfer are entered in the Register.

2.2 Register conclusive as to ownership

Entries in the Register in relation to a CPS2 constitute conclusive evidence that the person so entered is the absolute owner of the CPS2 subject to correction for fraud or error.

2.3 Non-recognition of interests

Except as required by law and as provided in this clause 2.3, the Issuer must treat the person whose name is entered in the Register as the Holder in respect of a CPS2 as the absolute owner of that CPS2.

No notice of any trust, Encumbrance or other interest in, or claim to, any CPS2 will be entered in the Register. Neither the Issuer nor the Registrar need take notice of any trust, Encumbrance or other interest in, or claim to, any CPS2, except as ordered by a court of competent jurisdiction or required by law, and no trust, Encumbrance or other interest in, or claim to, any CPS2 will in any way affect any provision of these CPS2 Terms.

This clause 2.3 applies whether or not a payment has been made when scheduled on a CPS2 and despite any notice of ownership, trust or interest in the CPS2.

2.4 Transfer in accordance with Constitution

The Constitution contains provisions relating to the transfer of shares and the relevant provisions apply with all necessary modifications to a transfer of CPS2.

2.5 Refusal to register

The Constitution contains provisions allowing the Directors to refuse to register transfers and the relevant provisions apply with all necessary modifications to refusals to register transfers of CPS2 in those circumstances.

2.6 Transferor to remain holder until registration

The Constitution contains provisions relating to the effect of registration on a transfer and the relevant provisions apply with all necessary modifications to a transfer of CPS2.

2.7 Transmission of CPS2

The Constitution contains provisions relating to the transmission of shares in certain circumstances (including without limitation on the death of a holder) and the relevant provisions apply with all necessary modifications to the transmission of CPS2 in those circumstances.

3 Dividends

3.1 Dividends

Subject to these Terms, each CPS2 entitles the Holder on a Record Date to receive, on the relevant Dividend Payment Date, a dividend (“**Dividend**”) payable in cash and calculated according to the following formula:

$$\text{Dividend} = \frac{(\text{Issue Price} \times \text{Dividend Rate} \times N)}{365}$$

where:

Dividend Rate (expressed as a percentage per annum) is calculated according to the following formula:

$$\text{Dividend Rate} = (\text{Bank Bill Rate} + \text{Margin}) \times (1 - \text{Tax Rate})$$

where:

Bank Bill Rate (expressed as a percentage per annum) means, for a Dividend Period, the average mid-rate for bills of a term of 180 days which average mid-rate is displayed on Thomson Reuters page 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 mid-rate or that average mid-rate is not displayed by 10:16am (Melbourne time) on that date, the rate specified in good faith by the Issuer at or around 10:30am (Melbourne time) on that date having regard, to the extent possible, to:

- (a) the rates otherwise bid and offered for bills of a term of 180 days or for funds of that tenor displayed on Reuters page BBSW (or any page which replaces that page) at or around that time on that date; or
- (b) if bid and offer rates for bills of a term of 180 days are not otherwise available, the rates otherwise bid and offered for funds of that tenor at or around that time on that date;

Margin (expressed as a percentage per annum) means the margin determined under the Bookbuild;

Tax Rate (expressed as a decimal) means the Australian corporate tax rate applicable to the franking account of the Issuer at the relevant Dividend Payment Date; and

N means in respect of:

- (a) the first Dividend Payment Date, the number of days from (and including) the Issue Date until (but not including) the first Dividend Payment Date; and
- (b) each subsequent Dividend Payment Date, the number of days from (and including) the preceding Dividend Payment Date until (but not including) the relevant Dividend Payment Date.

3.2 Franking adjustments

If a Dividend is not franked to 100% under Part 3-6 of the Tax Act (and any provisions that revise or replace that Part), the Dividend will be calculated according to the following formula:

$$\text{Dividend} = \frac{D}{(1 - (\text{Tax Rate} \times (1 - F)))}$$

where:

D means the Dividend calculated under clause 3.1;

Tax Rate has the meaning given in clause 3.1; and

F means the percentage (expressed as a decimal) to which the Dividend is franked under Part 3-6 of the Tax Act or any provisions that revise or replace that Part.

3.3 Payment of a Dividend

Each Dividend is subject to:

- (a) the Directors, at their absolute discretion, resolving to pay the Dividend on the relevant Dividend Payment Date;
- (b) the payment of the Dividend not resulting in a breach of the Issuer’s Prudential Capital Requirements (on a Level 1 basis) or of the Group’s Prudential Capital Requirements (on a Level 2 basis) under the then current Prudential Standards as they apply to the Issuer and/or the Group at the time of the payment;
- (c) paying the Dividend not resulting in the Issuer becoming, or being likely to become, insolvent for the purposes of the Corporations Act; and
- (d) APRA not otherwise objecting to the Dividend being paid on the Dividend Payment Date.

3.4 Dividends are non-cumulative

Dividends are non-cumulative. If all or any part of a Dividend is not paid because of clause 3.3 or because of any other reason:

- (a) the Issuer has no liability to pay the unpaid amount of the Dividend;
- (b) Holders have no claim or entitlement in respect of such non-payment; and
- (c) such non-payment does not constitute an event of default.

No interest accrues on any unpaid Dividends and Holders have no claim or entitlement in respect of interest on any unpaid Dividends.

3.5 Dividend Payment Dates

Subject to this clause 3, Dividends will be payable in arrears in respect of a CPS2 on the following dates (each a “**Dividend Payment Date**”):

- (a) each 30 May and 30 November commencing on 30 November 2014 until (but not including) the date on which the CPS2 is Exchanged in accordance with these Terms; and
- (b) each date on which:
 - (i) a Conversion or Resale of that CPS2 occurs; or
 - (ii) subject to clause 9.3(a)(iii), a Redemption of the CPS2 occurs,in each case, pro-rata for the period from the previous Dividend Payment Date to the date of Conversion, Resale or Redemption, in accordance with these Terms.

If a Dividend Payment Date is a day which is not a Business Day, then the Dividend Payment Date becomes the next day which is a Business Day.

3.6 Record Dates

A Dividend is only payable on a Dividend Payment Date to those persons registered as Holders on the Record Date for that Dividend.

3.7 Restrictions in the case of non-payment

If for any reason the Dividend has not been paid in full on a Dividend Payment Date (the “**Relevant Dividend Payment Date**”), the Issuer must not, without the approval of a Special Resolution, until and including the next Dividend Payment Date:

- (a) declare, determine to pay or pay a dividend on any Ordinary Shares; or
- (b) buy back or reduce capital on any Ordinary Shares,

unless the Dividend is paid in full within 3 Business Days of the Relevant Dividend Payment Date.

3.8 Exclusions from restrictions in case of non-payment

The restrictions in clause 3.7 do not apply:

- (a) To a buy-back or capital reduction in connection with any employment contract, employee share scheme, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors or consultants of the Issuer or any Controlled Entity; or
- (b) to the extent that at the time a Dividend on CPS2 has not been paid on the relevant Dividend Payment Date, the Issuer is legally obliged to pay on or after that date any ordinary share dividend or complete on or after that date a buy-back or capital reduction.

For the avoidance of doubt, the restrictions in clause 3.7 do not apply to CPS2 that have been Converted or Redeemed, but continue to apply where the Issuer elects to Resell CPS2 in accordance with these Terms.

Nothing in these Terms prohibits the Issuer or a Controlled Entity from purchasing the Issuer Shares (or an interest therein) in connection with transactions for the account of customers of the Issuer or customers of entities that the Issuer Controls or in connection with the distribution or trading of the Issuer Shares in the ordinary course of business. This includes (for the avoidance of doubt and without affecting the foregoing) any acquisition resulting from:

- (a) taking security over the Issuer Shares in the ordinary course of business; and
- (b) acting as trustee for another person where neither the Issuer nor any entity it Controls has a beneficial interest in the trust (other than a beneficial interest that arises from a security given for the purposes of a transaction entered into in the ordinary course of business).

Such purchases or other transactions may require the prior written approval of APRA.

3.9 Notification of Dividend, Dividend Rate and other items

- (a) For each Dividend Period, the Issuer must notify the Registrar and ASX (and any other securities exchange or other relevant authority on which CPS2 are quoted) of the Dividend Rate and the expected Dividend payable as soon as practicable, but in any event no later than the fifth Business Day of the Dividend Period.
- (b) The Issuer may amend the calculation or determination of any amount, date or rate (or make appropriate alternative arrangements by way of adjustment) including as a result of the extension or reduction of a Dividend Period without prior notice, but must notify ASX promptly after doing so.

4 Mandatory Conversion

4.1 Mandatory Conversion

Subject to clauses 5, 6 and 7, on the Mandatory Conversion Date the Issuer must Convert all (but not some) CPS2 on issue at that date into Ordinary Shares in accordance with clause 8 and this clause 4.

4.2 Mandatory Conversion Date

The Mandatory Conversion Date will be the first to occur of the following dates (each a “**Relevant Date**”) on which the Mandatory Conversion Conditions are satisfied:

- (a) 30 November 2022 (the “**Scheduled Mandatory Conversion Date**”); and
- (b) a Dividend Payment Date after the Scheduled Mandatory Conversion Date (a “**Subsequent Mandatory Conversion Date**”).

4.3 Mandatory Conversion Conditions

The Mandatory Conversion Conditions for each Relevant Date are:

- (a) the VWAP on the 25th Business Day immediately preceding (but not including) the Relevant Date (the “**First Test Date**”, provided that if no trading in Ordinary Shares took place on that date, the First Test Date is the first Business Day before the 25th Business Day immediately preceding (but not including) the Relevant Date on which trading in Ordinary Shares took place) is greater than the First Test Date Percentage of the Issue Date VWAP (the “**First Mandatory Conversion Condition**”);
- (b) the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Relevant Date (the “**Second Test Period**”) is greater than the Conversion Test Date Percentage of the Issue Date VWAP (the “**Second Mandatory Conversion Condition**”); and
- (c) no Delisting Event applies in respect of the Relevant Date (the “**Third Mandatory Conversion Condition**” and together with the First Mandatory Conversion Condition and the Second Mandatory Conversion Condition, the “**Mandatory Conversion Conditions**”).

In this clause 4.3:

Conversion Test Date Percentage = $101.01\% \times \text{Relevant Fraction}$
(expressed as a percentage)

First Test Date Percentage = $110\% \times \text{Relevant Fraction}$
(expressed as a percentage)

4.4 Non-Conversion Notices

If:

- (a) the First Mandatory Conversion Condition is not satisfied in relation to a Relevant Date, the Issuer will give notice to Holders between the 25th and the 21st Business Day before the Relevant Date; or
- (b) the Second Mandatory Conversion Condition or the Third Mandatory Conversion Condition is not satisfied in relation to a Relevant Date, the Issuer will give notice to Holders on or as soon as practicable after the Relevant Date,

(each such notice a “**Non-Conversion Notice**”) that Mandatory Conversion will not (or, as the case may be, did not) occur on the Relevant Date.

5 Automatic Conversion

5.1 Non-Viability Trigger Event

- (a) A **Non-Viability Trigger Event** means APRA has provided a written determination to the Issuer that the conversion to Ordinary Shares or write-off of Relevant Preference Securities in accordance with their terms or by operation of law is necessary because:
- (i) without the conversion to Ordinary Shares or write-off, APRA considers that the Issuer would become non-viable; or
 - (ii) without a public sector injection of capital into, or equivalent capital support with respect to, the Issuer, APRA considers that the Issuer would become non-viable.
- (b) If a Non-Viability Trigger Event occurs, the Issuer must convert to Ordinary Shares or write-off:
- (i) all Relevant Preference Securities; or
 - (ii) an amount of the Relevant Preference Securities if APRA is satisfied that conversion to Ordinary Shares or write-off of that amount will be sufficient to ensure that the Issuer does not become non-viable,
- (c) If a Non-Viability Event occurs under clause 5.1(a)(ii), the Issuer must convert to Ordinary Shares or write-off all Relevant Preference Securities.

5.2 Capital Trigger Event

- (a) A **Capital Trigger Event** occurs when:
- (i) the Issuer determines; or
 - (ii) APRA notifies the Issuer in writing that it believes,
- that either or both of the Issuer's Level 1 Common Equity Tier 1 Capital Ratio or Level 2 Common Equity Tier 1 Capital Ratio is equal to or less than 5.125%.
- (b) The Issuer must notify APRA immediately in writing if it determines that a Capital Trigger Event has occurred.
- (c) If a Capital Trigger Event occurs, the Issuer must convert to Ordinary Shares or write-off:
- (i) all Relevant Preference Securities; or
 - (ii) an amount of the Relevant Preference Securities if APRA is satisfied that conversion to Ordinary Shares or write-off of that amount will have the result that each of the Level 1 Common Equity Tier 1 Capital Ratio and the Level 2 Common Equity Tier 1 Capital Ratio is at a percentage above 5.125% determined by the Issuer for that ratio.

5.3 Automatic Conversion upon the occurrence of a Non-Viability Trigger Event or Capital Trigger Event

- (a) On the date on which a Non-Viability Trigger Event occurs (the "**Non-Viability Conversion Date**") the Issuer must immediately determine:
- (i) the amount of CPS2 that will Convert and the amount of other Relevant Preference Securities which will convert into Ordinary Shares or be Written Off (in accordance with clause 5.1); and
 - (ii) the identity of the Holders whose CPS2 will Convert at the time that the Conversion is to take effect and in making that determination the Issuer may make any decisions with respect to the identity of the Holders at that time as may be necessary or desirable to ensure Conversion occurs in an orderly manner, including disregarding any transfers of CPS2 that have not been settled or registered at that time,
- provided that such determination does not prevent, impede or delay the immediate Conversion of the relevant number of CPS2.
- (b) On the date on which a Capital Trigger Event occurs (the "**Capital Trigger Conversion Date**") the Issuer must immediately determine:
- (i) the amount of CPS2 that will Convert and the amount of other Relevant Preference Securities which will convert into Ordinary Shares or be Written Off (in accordance with clause 5.2); and
 - (ii) the identity of the Holders whose CPS2 will Convert at the time that the Conversion is to take effect and in making that determination the Issuer may make any decisions with respect to the identity of the Holders at that time as may be necessary or desirable to ensure Conversion occurs in an orderly manner, including disregarding any transfers of CPS2 that have not been settled or registered at that time
- provided that such determination does not prevent, impede or delay the immediate Conversion of the relevant number of CPS2.

- (c) If the Issuer is permitted, in accordance with this clause 5, to convert into Ordinary Shares a proportion of CPS2 and other Relevant Preference Securities, the Issuer must endeavour to treat Holders and holders of other Relevant Preference Securities on an approximately proportionate basis, but may discriminate to take account of the effect on marketable parcels and other logistical considerations and the need to effect the conversions immediately, provided that nothing in the making of the selection is to delay or impede the Conversion taking effect on the Non-Viability Conversion Date or Capital Trigger Conversion Date (as applicable).
- (d) Despite any other provision in these Terms, on the Non-Viability Conversion Date or Capital Trigger Conversion Date (as applicable) the relevant amount (as determined under this clause 5.3) of CPS2 will Convert immediately and irrevocably.
- (e) A Non-Viability Trigger Event or Capital Trigger Event occurs immediately on the day when the Issuer determines or is notified by APRA of the event whether or not the day is a Business Day and the Issuer must perform the obligations in respect of it on that day accordingly.
- (f) None of the following shall prevent, impede or delay the Conversion of CPS2 as required by this clause 5.3:
 - (i) any failure or delay in the conversion into Ordinary Shares or write-off of other Relevant Preference Securities;
 - (ii) any failure or delay in giving a Non-Viability Trigger Event Notice or Capital Trigger Event Notice (as applicable);
 - (iii) any failure or delay in quotation of the Ordinary Shares to be issued on Conversion; or
 - (iv) any requirement to treat Holders and holders of other Relevant Preference Securities on a proportionate basis as required by paragraph (c).
- (g) From the Non-Viability Conversion Date or Capital Trigger Conversion Date (as applicable), the Issuer shall treat the Holder in respect of its CPS2 as the holder of the Conversion Number of Ordinary Shares and will take all such steps, including updating any register, required to record the Conversion.

5.4 Notice of Non-Viability Trigger Event or Capital Trigger Event

- (a) If a Non-Viability Trigger Event occurs, the Issuer must give notice of the Non-Viability Trigger Event (a “**Non-Viability Trigger Event Notice**”) to ASX and Holders as soon as practicable which states the Non-Viability Conversion Date, the amount of CPS2 Converted and the relevant amount of Relevant Preference Securities converted or written-off.
- (b) If a Capital Trigger Event occurs, the Issuer must give notice of the Capital Trigger Event (a “**Capital Trigger Event Notice**”) to ASX and Holders as soon as practicable which states the Capital Trigger Conversion Date, the amount of CPS2 Converted and the relevant amount of Relevant Preference Securities converted or written-off.

5.5 Priority of Conversion obligations

- (a) Conversion on account of the occurrence of a Non-Viability Trigger Event or Capital Trigger Event is not subject to the matters described in clause 4.3 as Mandatory Conversion Conditions.
- (b) A Conversion required on account of a Non-Viability Trigger Event or Capital Trigger Event takes place on the date, and in the manner, required by clause 5.3, notwithstanding any other provisions for Conversion, Redemption or Resale in these Terms.
- (c) If on the Non-Viability Conversion Date or Capital Trigger Conversion Date an Inability Event subsists, then to the extent such event prevents the Issuer from Converting CPS2 within five Business Days of that date:
 - (i) Conversion on account of the Non-Viability Trigger Event or Capital Trigger Event (as applicable) will not occur; and
 - (ii) clause 8.14 shall apply.

6 Optional Exchange by the Issuer

6.1 Optional Exchange by the Issuer

The Issuer may with APRA's prior written approval by notice to Holders (an “**Exchange Notice**”) elect to Exchange:

- (a) all or some CPS2 on an Exchange Date following the occurrence of a Tax Event or a Regulatory Event;
- (b) all (but not some only) CPS2 on an Exchange Date following the occurrence of an Acquisition Event; or
- (c) all or some CPS2 on the Optional Exchange Date.

An Exchange Notice under this clause 6:

- (a) cannot be given in the period of 20 Business Days preceding (and not including) a Relevant Date where the First Mandatory Conversion Condition has been met in respect of that Relevant Date; and
- (b) once given is irrevocable.

6.2 Contents of Exchange Notice

An Exchange Notice must specify:

- (a) where clause 6.1(a) or clause 6.1(b) applies, the details of the Tax Event, Regulatory Event or Acquisition Event to which the Exchange Notice relates;
- (b) the date on which Exchange is to occur (the “**Exchange Date**”), which:
 - (i) in the case of an Acquisition Event, is the Business Day prior to the date reasonably determined by the Issuer to be the last date on which holders of Ordinary Shares can participate in the bid or scheme concerned or such other earlier date as the Issuer may reasonably determine having regard to the timing for implementation of the bid or scheme concerned or such later date as APRA may require;
 - (ii) in the case of a Tax Event or a Regulatory Event, is the last Business Day of the month following the month in which the Exchange Notice was given by the Issuer unless the Issuer determines an earlier Exchange Date having regard to the best interests of Holders as a whole and the relevant event; or
 - (iii) in the case of clause 6.1(c), is the Optional Exchange Date, which must fall:
 - (A) no earlier than:
 - (1) 25 Business Days, where the Exchange Method elected is Conversion; or
 - (2) 15 Business Days, where the Exchange Method is Redemption or Resale; and
 - (B) in any case no later than 50 Business Days, after the date on which the Exchange Notice is given;
- (c) the Exchange Method in accordance with clause 6.3;
- (d) if less than all CPS2 are subject to Exchange, the proportion of the CPS2 that are to be Exchanged;
- (e) if the Exchange Notice provides that any CPS2 are to be Redeemed:
 - (i) the Redemption Price; and
 - (ii) whether the Redemption Price is payable by way of redemption, buy-back or reduction of capital (or a combination of these methods);
- (f) if the Exchange Notice provides that any CPS2 are to be Resold, the identity of the Nominated Purchaser or Nominated Purchasers for that Resale; and
- (g) whether any Dividend or any amount under clause 9.3(a)(iii) will be paid in respect of the CPS2 to be Exchanged on the Exchange Date.

6.3 Exchange Method

- (a) If the Issuer elects to Exchange CPS2 in accordance with clause 6.1, it must, subject to clauses 6.3(b), 6.4 and 6.5 and subject to APRA’s prior written approval, elect which of the following it intends to do in respect of CPS2 (the “**Exchange Method**”):
 - (i) Convert CPS2 into Ordinary Shares in accordance with clause 8;
 - (ii) Redeem CPS2 in accordance with clause 9; or
 - (iii) Resell CPS2 in accordance with clause 10.

Holders should not expect that APRA’s approval will be given for any Exchange of CPS2 under these Terms.

- (b) Subject to clauses 6.4 and 6.5, in the election under clause 6.3(a), the Issuer may specify which of Conversion, Redemption and Resale applies to a particular CPS2.

Without limitation to the foregoing:

- (i) the Issuer may select any one or more of Conversion, Redemption or Resale to apply to the CPS2 held by a Holder; and
- (ii) the Issuer may select a different combination of Conversion, Redemption and Resale in respect of CPS2 held by different Holders,

but otherwise the Issuer must endeavour to treat Holders, in the case of an Exchange of only some CPS2, on an approximately proportionate basis (although it may discriminate to take account of the effect on marketable parcels and other logistical considerations).

6.4 Restrictions on election by the Issuer of Redemption or Resale as Exchange Method

The Issuer may only elect Redemption or Resale as the Exchange Method in respect of an Exchange under this clause 6:

- (a) on the Optional Exchange Date; or
- (b) in the case of a Tax Event or Regulatory Event,

and provided in all cases where the Issuer elects Redemption that APRA is satisfied that either:

- (i) CPS2 the subject of the Exchange are replaced concurrently or beforehand with a Relevant Preference Security of the same or better quality or Ordinary Shares and the replacement of the instrument is done under conditions that are sustainable for the Issuer's income capacity; or
- (ii) having regard to the projected capital position of the Group, that the Issuer does not have to replace the CPS2 the subject of the Redemption.

6.5 Restrictions on election by the Issuer of Conversion as Exchange Method

The Issuer may not elect Conversion as the Exchange Method in respect of an Exchange under this clause 6 if:

- (a) on the second Business Day before the date on which an Exchange Notice is to be sent by the Issuer (or, if trading in Ordinary Shares did not occur on that date, the last Business Day prior to that date on which trading in Ordinary Shares occurred) (the "**Non-Conversion Test Date**") the VWAP on that date is less than or equal to the First Test Date Percentage of the Issue Date VWAP (the "**First Optional Conversion Restriction**"); or
- (b) a Delisting Event applies in respect of the Non-Conversion Test Date (the "**Second Optional Conversion Restriction**") and together with the First Optional Conversion Restriction, the "**Optional Conversion Restrictions**").

6.6 Conditions to Conversion occurring once elected by the Issuer

If the Issuer has given an Exchange Notice in which it has elected Conversion as the Exchange Method but, if the Exchange Date were a Relevant Date for the purposes of clause 4, either the Second Mandatory Conversion Condition or the Third Mandatory Conversion Condition would not be satisfied in respect of that date, then, notwithstanding any other provision of these Terms:

- (a) the Exchange Date will be deferred until the first Dividend Payment Date on which the Mandatory Conversion Conditions would be satisfied if that Dividend Payment Date were a Relevant Date for the purposes of clause 4 (the "**Deferred Conversion Date**");
- (b) the Issuer must Convert the CPS2 on the Deferred Conversion Date (unless the CPS2 are Exchanged earlier in accordance with these Terms); and
- (c) until the Deferred Conversion Date, all rights attaching to the CPS2 will continue as if the Exchange Notice had not been given.

The Issuer will notify Holders on or as soon as practicable after an Exchange Date in respect of which this clause 6.6 applies that Conversion did not occur on that Exchange Date (a "**Deferred Conversion Notice**").

6.7 No Exchange at the option of the Holders

Holders do not have a right to request Exchange at any time or to determine the Exchange Method.

7 Early Conversion on Change of Control Event

7.1 Notice of Change of Control Event

The Issuer must notify Holders of the occurrence of a Change of Control Event as soon as practicable after becoming aware of that event (a "**Change of Control Event Notice**").

7.2 Conversion on occurrence of Change of Control Event

If a Change of Control Event occurs, the Issuer must Convert all (but not some only) CPS2 on the Change of Control Conversion Date by notice to Holders (a "**Change of Control Conversion Notice**") in accordance with this clause 7 and clause 8.

7.3 Contents of Change of Control Conversion Notice

A Change of Control Conversion Notice must specify:

- (a) the details of the Change of Control Event to which the Change of Control Conversion Notice relates;
- (b) the date on which Conversion is to occur (the “**Change of Control Conversion Date**”), which must be:
 - (i) the Business Day prior to the date reasonably determined by the Issuer to be the last date on which holders of Ordinary Shares can participate in the bid or scheme concerned or such other earlier date as the Issuer may reasonably determine having regard to the timing for implementation of the bid or scheme concerned; or
 - (ii) such later date as APRA may require; and
- (c) whether any Dividend will be paid in respect of the CPS2 on the Change of Control Conversion Date.

7.4 Where Change of Control Conversion Notice not required

Notwithstanding any provision of clause 7.2 or clause 7.3, the Issuer is not required to give a Change of Control Conversion Notice if either or both of the Optional Conversion Restrictions would apply if the Change of Control Conversion Notice were an Exchange Notice under clause 6 and in this case the provisions of clause 7.5 will apply.

7.5 Deferred Conversion on Change of Control Event

If clause 7.4 applies or the Issuer has given a Change of Control Conversion Notice but, if the Change of Control Conversion Date were a Relevant Date for the purposes of clause 4.2, either the Second Mandatory Conversion Condition or the Third Mandatory Conversion Condition would not be satisfied in respect of that date, then notwithstanding any other provision of these Terms (but without limitation to the operation of clause 5.5):

- (a) the Change of Control Conversion Notice, if given, is taken to be revoked and Conversion will not occur on the Change of Control Conversion Date specified in the Change of Control Conversion Notice;
- (b) the Issuer will notify Holders as soon as practicable that Conversion will not (or, as the case may be, did not) occur (a “**Deferred Change of Control Conversion Notice**”); and
- (c) the Issuer must, unless clause 7.4 then applies, give a Change of Control Conversion Notice (or, as the case may be, a new Change of Control Conversion Notice) on or before the 25th Business Day prior to the immediately succeeding Dividend Payment Date which is at least 25 Business Days after the date on which the Deferred Change of Control Conversion Notice was given.

The Change of Control Conversion Notice given in accordance with paragraph (c) above must comply with the requirements in clause 7.3.

If this clause 7.5 applies but:

- (d) clause 7.4 applies in respect of the Dividend Payment Date referred to in paragraph (c) such that no Change of Control Conversion Notice (or, as the case may be, no new Change of Control Conversion Notice) is given under this clause 7.5; or
- (e) a Change of Control Conversion Notice (or, as the case may be, a new Change of Control Conversion Notice) is given under this clause 7.5 but, if the Change of Control Conversion Date specified in the Change of Control Conversion Notice were a Relevant Date for the purposes of clause 4.2, either the Second Mandatory Conversion Condition or the Third Mandatory Conversion Condition would not be satisfied in respect of that date,

then this clause 7.5 will be reapplied in respect of each subsequent Dividend Payment Date until a Conversion occurs.

8 Conversion mechanics

8.1 Conversion

If the Issuer elects to Convert CPS2 (with APRA's prior written approval) or must Convert CPS2 in accordance with these Terms, then, subject to this clause 8, the following provisions shall apply:

- (a) each CPS2 that is being Converted will convert into one Ordinary Share on the Mandatory Conversion Date, the Non-Viability Conversion Date, the Capital Trigger Conversion Date, the Exchange Date or the Change of Control Conversion Date (as the case may be);
- (b) each Holder will be allotted, for no consideration, an additional number of Ordinary Shares for each CPS2 that is being Converted on the Mandatory Conversion Date, the Non-Viability Conversion Date, the Capital Trigger Conversion Date, the Exchange Date or the Change of Control Conversion Date (as the case may be) equal to one less than the Conversion Number, where the Conversion Number is a number calculated according to the following formula (subject always to the Conversion Number being no more than the Maximum Conversion Number):

$$\text{Conversion Number} = \frac{\text{Issue Price}}{(99\% \times \text{VWAP})}$$

where:

VWAP (expressed in dollars and cents) means the VWAP during the VWAP Period;

Maximum Conversion Number means a number calculated according to the following formula:

$$\text{Maximum Conversion Number} = \frac{\text{Issue Price}}{(\text{Issue Date VWAP} \times \text{Relevant Fraction})}$$

Relevant Fraction means:

- (i) in the case of a Mandatory Conversion, 0.5;
 - (ii) in the case of any other Conversion, 0.2;
- (c) if the total number of additional Ordinary Shares to be allotted and issued in respect of a Holder's aggregate holding of CPS2 upon Conversion includes a fraction of an Ordinary Share, that fraction of an Ordinary Share will be disregarded; and
 - (d) a CPS2, upon Conversion, confers all of the rights attaching to one Ordinary Share but these rights do not take effect until 5:00pm (Melbourne time) on the Mandatory Conversion Date, the Exchange Date or the Change of Control Conversion Date (as the case may be) or, in the case of a Conversion on a Non-Viability Conversion Date or Capital Trigger Conversion Date, immediately on Conversion at the Non-Viability Conversion Date or Capital Trigger Event Conversion Date. At that time:
 - (i) all other rights conferred or restrictions imposed on that CPS2 under these Terms will no longer have effect (except for rights relating to a Dividend which has been determined to be payable but has not been paid on or before the Mandatory Conversion Date, the Non-Viability Conversion Date, the Capital Trigger Conversion Date, the Exchange Date or the Change of Control Conversion Date (as the case may be), which rights will continue); and
 - (ii) the Ordinary Share resulting from the Conversion will rank equally with all other Ordinary Shares.

Conversion does not constitute a redemption, buy-back, cancellation or termination of CPS2 or an issue, allotment or creation of a new Ordinary Share (other than under clause 8.1(b)).

8.2 Adjustments to VWAP

For the purposes of calculating the VWAP in these Terms:

- (a) where, on some or all of the Business Days in the relevant VWAP Period, Ordinary Shares have been quoted on ASX as cum dividend or cum any other distribution or entitlement and CPS2 will Convert into Ordinary Shares after the date those Ordinary Shares no longer carry that dividend or any other distribution or entitlement, then the VWAP on the Business Days on which those Ordinary Shares have been quoted cum dividend or cum any other distribution or entitlement shall be reduced by an amount (the "**Cum Value**") equal to:
 - (i) (in case of a dividend or other distribution), the amount of that dividend or other distribution including, if the dividend or other distribution is franked, the amount that would be included in the assessable income of a recipient of the dividend or other distribution who is both a resident of Australia and a natural person under the Tax Act;
 - (ii) (in the case of any other entitlement that is not a dividend or other distribution under clause 8.2(a) (i) which is traded on ASX on any of those Business Days), the volume weighted average sale price of all such entitlements sold on ASX during the VWAP Period on the Business Days on which those entitlements were traded; or
 - (iii) (in the case of any other entitlement which is not traded on ASX during the VWAP Period), the value of the entitlement as reasonably determined by the Directors; and

- (b) where, on some or all of the Business Days in the VWAP Period, Ordinary Shares have been quoted on ASX as ex dividend or ex any other distribution or entitlement, and CPS2 will Convert into Ordinary Shares in respect of which the relevant dividend or other distribution or entitlement would be payable, the VWAP on the Business Days on which those Ordinary Shares have been quoted ex dividend or ex any other distribution or entitlement shall be increased by the Cum Value.

8.3 Adjustments to VWAP for divisions and similar transactions

- (a) Where during the relevant VWAP Period there is a change in the number of Ordinary Shares on issue as a result of a Reorganisation, in calculating the VWAP for that VWAP Period the VWAP on each Business Day in the relevant VWAP Period which falls before the date on which trading in Ordinary Shares is conducted on a post Reorganisation basis shall be adjusted by the following formula:

$$\frac{A}{B}$$

where:

A means the aggregate number of Ordinary Shares immediately before the Reorganisation; and

B means the aggregate number of Ordinary Shares immediately after the Reorganisation.

- (b) Any adjustment made by the Issuer in accordance with clause 8.3(a) will be effective and binding on Holders under these Terms and these Terms will be construed accordingly. Any such adjustment must be promptly notified to all Holders.

8.4 Adjustments to Issue Date VWAP

For the purposes of determining the Issue Date VWAP, adjustments to the VWAP will be made in accordance with clauses 8.2 and 8.3 during the VWAP Period for the Issue Date VWAP. On and from the Issue Date, adjustments to the Issue Date VWAP:

- (a) may be made by the Issuer in accordance with clauses 8.5 to 8.7 (inclusive); and
- (b) if so made, will correspondingly:
- (i) affect the application of the Mandatory Conversion Conditions and the Optional Conversion Restrictions; and
 - (ii) cause an adjustment to the Maximum Conversion Number.

8.5 Adjustments to Issue Date VWAP for bonus issues

- (a) Subject to clause 8.5(b), if at any time after the Issue Date the Issuer makes a pro rata bonus issue of Ordinary Shares to holders of Ordinary Shares generally, the Issue Date VWAP will be adjusted in accordance with the following formula:

$$V = V_0 \times \frac{RD}{RD + RN}$$

where:

V means the Issue Date VWAP applying immediately after the application of this formula;

V₀ means the Issue Date VWAP applying immediately prior to the application of this formula;

RD means the number of Ordinary Shares on issue immediately prior to the allotment of new Ordinary Shares pursuant to the bonus issue; and

RN means the number of Ordinary Shares issued pursuant to the bonus issue.

- (b) Clause 8.5(a) does not apply to Ordinary Shares issued as part of a bonus share plan, employee or executive share plan, executive option plan, share top up plan, share purchase plan or a dividend reinvestment plan.
- (c) For the purposes of clause 8.5(a), an issue will be regarded as a pro rata bonus issue notwithstanding that the Issuer does not make offers to some or all holders of Ordinary Shares with registered addresses outside Australia, provided that in so doing the Issuer is not in contravention of the ASX Listing Rules.
- (d) No adjustments to the Issue Date VWAP will be made under this clause 8.5 for any offer of Ordinary Shares not covered by clause 8.5(a), including a rights issue or other essentially pro rata issue.
- (e) The fact that no adjustment is made for an issue of Ordinary Shares except as covered by clause 8.5(a) shall not in any way restrict the Issuer from issuing Ordinary Shares at any time on such terms as it sees fit nor be taken to constitute a modification or variation of rights or privileges of Holders or otherwise requiring any consent or concurrence of the Holders.

8.6 Adjustment to Issue Date VWAP for divisions and similar transactions

- (a) If at any time after the Issue Date there is a change in the number of Ordinary Shares on issue as a result of a Reorganisation, the Issuer shall adjust the Issue Date VWAP by multiplying the Issue Date VWAP applicable on the Business Day immediately before the date of any such Reorganisation by the following formula:

$$\frac{A}{B}$$

where:

A means the aggregate number of Ordinary Shares immediately before the Reorganisation; and

B means the aggregate number of Ordinary Shares immediately after the Reorganisation.

- (b) Any adjustment made by the Issuer in accordance with clause 8.6(a) will be effective and binding on Holders under these Terms and these Terms will be construed accordingly.
- (c) Each Holder acknowledges that the Issuer may consolidate, divide or reclassify securities so that there is a lesser or greater number of Ordinary Shares at any time in its absolute discretion without any such action constituting a modification or variation of rights or privileges of Holders or otherwise requiring any consent or concurrence.

8.7 No adjustment to Issue Date VWAP in certain circumstances

Despite the provisions of clauses 8.5 and 8.6, no adjustment shall be made to the Issue Date VWAP where such adjustment (rounded if applicable) would be less than one percent of the Issue Date VWAP then in effect.

8.8 Announcement of adjustments

The Issuer will notify Holders (an “**Adjustment Notice**”) of any adjustment to the Issue Date VWAP under this clause 8 within 10 Business Days of the Issuer determining the adjustment and the adjustment set out in the announcement will be final and binding.

8.9 Ordinary Shares

Each Ordinary Share issued or arising upon Conversion ranks pari passu with all other fully paid Ordinary Shares.

8.10 Foreign Holders

Where CPS2 held by a Foreign Holder are to be Converted, unless the Issuer is satisfied that the laws of the Foreign Holder’s country of residence permit the issue of Ordinary Shares to the Foreign Holder (but as to which the Issuer is not bound to enquire), either unconditionally or after compliance with conditions which the Issuer in its absolute discretion regards as acceptable and not unduly onerous, the number of Ordinary Shares which the Foreign Holder is obliged to accept will be issued to a nominee appointed by the Issuer (which must not be a member of the Group or Related Entity of the Issuer) who will sell that number of Ordinary Shares and pay a cash amount equal to the Proceeds to the Foreign Holder accordingly.

8.11 Conversion where the Holder does not wish to receive Ordinary Shares

If the Issuer has elected or is required to Convert CPS2 and the Holder has notified the Issuer that it does not wish to receive Ordinary Shares as a result of Conversion, which notice may be given by the Holder at any time on or after the Issue Date and no less than 15 Business Days prior to the date scheduled for Conversion then, on the date for Conversion, the number of Ordinary Shares which that Holder is obliged to accept will be issued to a nominee appointed by the Issuer (which must not be a member of the Group or Related Entity of the Issuer) who will sell that number of Ordinary Shares and pay a cash amount equal to the Proceeds to the relevant Holder.

8.12 No duty on sale

For the purposes of clauses 8.10 and 8.11:

- (a) the issue of Ordinary Shares to the nominee satisfies the obligation of the Issuer to issue additional Ordinary Shares in connection with the Conversion and on and from the issue of those Ordinary Shares, the rights of a Holder the subject of, as applicable, clause 8.10 or 8.11 in respect of those Ordinary Shares are limited to its rights in respect of the Proceeds as provided in, as applicable, clause 8.10 or 8.11; and
- (b) the Issuer does not owe any obligations or duties to the Holders in relation to the price for which, or other terms on which, Ordinary Shares are sold and has no liability for any loss suffered by a Holder as a result of the sale of Ordinary Shares.

8.13 Listing Ordinary Shares issued on Conversion

The Issuer shall use all reasonable endeavours to list the Ordinary Shares issued upon Conversion of CPS2 on ASX.

8.14 Write Off

Where on a Non-Viability Conversion Date or Capital Trigger Conversion Date an Inability Event subsists and Conversion has not been effected within five Business Days after the relevant date for Conversion, to the extent such event prevents the Issuer from Converting CPS2 of a Holder which, but for clause 5.5(c) and this clause 8.14, would be Converted, those CPS2 will be Written Off.

In this clause 8.14, **Written Off** means that, in respect of a CPS2 and a Non-Viability Conversion Date or Capital Trigger Conversion Date (as applicable):

- (a) the CPS2 will not be Converted in respect of the Non-Viability Trigger Event or Capital Trigger Event (as applicable) and will not be Converted, Redeemed or Resold under these Terms on any subsequent date;
- (b) on and from 5:00pm on the fifth Business Day after the Non-Viability Conversion Date or Capital Trigger Conversion Date (as applicable):
 - (i) in a winding-up of the Issuer, the Liquidation Sum is the sum which would have been paid in respect of CPS2 out of the surplus available to shareholders in a winding-up as if the CPS2 were the Conversion Number of Ordinary Shares (and such sum will be treated as the amount paid up on CPS2 for all purposes, including Rule 3(d)(i)(A) of the Constitution); and
 - (ii) subject to clauses 3.3, 3.4, 15.8 and 15.9 and to the requirements of APRA applicable to the payment of dividends on Ordinary Shares, a non-cumulative dividend is payable in respect of the CPS2 if and when a dividend is paid on Ordinary Shares, in an amount determined as if the CPS2 were a number of Ordinary Shares equal to the Conversion Number,

in each case with that Conversion Number (the “**Fixed Conversion Number**”) being finally determined as if the CPS2 had Converted on the Non-Viability Conversion Date or Capital Trigger Conversion Date (as applicable) (and subject always to such number not exceeding the Maximum Conversion Number); and

- (c) on and from 5:00pm on the fifth Business Day after the Non-Viability Conversion Date or Capital Trigger Conversion Date (as applicable), clauses 3.1, 3.2, 3.5, 3.7, 4, 5 (other than clause 5.5(c)), 6, 7, 8 (other than this clause 8.14 and any provisions in clause 8 required to give effect to this clause 8.14), 9, 10 and 14 will no longer apply in respect of that CPS2.

9 Redemption mechanics

9.1 Redemption mechanics to apply to Redemption

If, subject to APRA's prior written approval and compliance with the conditions in clause 6.4, the Issuer elects to Redeem CPS2 in accordance with these Terms, the provisions of this clause 9 apply to that Redemption.

Holders should not expect that APRA's approval will be given for any Redemption of CPS2 under these Terms.

9.2 Redemption

CPS2 will be Redeemed by payment on the Exchange Date of the Issue Price plus any amount payable under clause 9.3(a)(iii) (together, the “**Redemption Price**”) by way of redemption, buy-back, reduction of capital or any combination thereof to the Holder.

9.3 Effect of Redemption on Holders

On the Exchange Date, the only right Holders will have in respect of CPS2 will be to obtain the Redemption Price payable in accordance with these Terms and upon payment of the Redemption Price, all other rights conferred, or restrictions imposed, by CPS2 will no longer have effect.

For the purposes of this clause 9:

- (a) where the Redemption involves a buy-back of CPS2:
 - (i) the Exchange Notice constitutes a buy-back offer for the Redemption Price payable on the relevant Exchange Date;
 - (ii) the Holder must accept the buy-back offer for their CPS2 and will be deemed to have accepted that buy-back offer for CPS2 held by that Holder to which the Exchange Notice relates on the date the Exchange Notice is given and will be deemed to have sold those CPS2 to the Issuer free of all Encumbrances on the Exchange Date;
 - (iii) no Dividend is payable on CPS2 on the Exchange Date, but the Directors may, in their absolute discretion, determine that the consideration payable for each CPS2 that is bought back will include an amount (in addition to the Issue Price) equal to a Dividend calculated in accordance with clause 3 for the Dividend Period ending on (but not including) the Exchange Date;

- (iv) the buy-back agreement will be taken to include the Issuer's undertaking in clause 3.7 (as qualified by clause 3.8); and
 - (v) for the purposes of calculating the Redemption Price, any suspension of the right to receive a Dividend arising from the buy-back agreement under applicable law shall be disregarded; and
- (b) if the Redemption involves either or both a reduction of capital with respect to CPS2 and a cancellation of CPS2 and under applicable law Holders are entitled to vote on a resolution to approve that reduction of capital or that cancellation, each Holder agrees to vote in favour of that or those resolutions.

10 Resale mechanics

10.1 Resale mechanics

If the Issuer elects to Resell CPS2 in accordance with these Terms, the provisions of this clause 10 apply to that Resale.

10.2 Appointment of Nominated Purchaser

The Issuer must appoint one or more Nominated Purchasers for the Resale on such terms as may be agreed between the Issuer and the Nominated Purchasers. If the Issuer appoints more than one Nominated Purchaser in respect of a Resale, all or any of the CPS2 held by a Holder which are being Resold may be purchased by any one or any combination of the Nominated Purchasers, as determined by the Issuer for the Resale Price.

The obligation of a Nominated Purchaser to pay the Resale Price on the Exchange Date may be subject to such conditions as the Issuer may reasonably determine.

10.3 Identity of Nominated Purchasers

The Issuer may not appoint a person as a Nominated Purchaser unless that person:

- (a) has undertaken on such terms and subject to such conditions as the Issuer reasonably determines for the benefit of each Holder to acquire each CPS2 from each Holder for the Resale Price on the Exchange Date;
- (b) has a long term counterparty credit rating from one of Standard & Poor's, Moody's or Fitch of not less than investment grade; and
- (c) is not a Related Entity of the Issuer.

10.4 Irrevocable offer to sell CPS2

Each Holder on the Exchange Date is taken irrevocably to offer to sell CPS2 the subject of a Resale to the Nominated Purchaser or Nominated Purchasers on the Exchange Date for the Resale Price.

10.5 Effect of Resale

On the Exchange Date subject to payment by the Nominated Purchaser of the Resale Price to the Holders, all right, title and interest in such CPS2 (excluding the right to any Dividend payable on that date) will be transferred to the Nominated Purchaser free from Encumbrances.

10.6 Effect of failure by Nominated Purchaser or Nominated Purchasers to pay

If a Nominated Purchaser does not pay the Resale Price to the Holders on the Exchange Date (a "Defaulting Nominated Purchaser") (whether as a result of a condition to purchase not being satisfied or otherwise):

- (a) the Exchange Notice as it relates to the Defaulting Nominated Purchaser will be void;
- (b) CPS2 will not be transferred to the Defaulting Nominated Purchaser on the Exchange Date; and
- (c) Holders will continue to hold the CPS2 referable to the Defaulting Nominated Purchaser until they are otherwise Redeemed, Converted or Resold in accordance with these Terms.

11 CPS2 general rights

11.1 Ranking with respect to dividends

The CPS2 rank in respect of payment of dividends:

- (a) in priority to Ordinary Shares;
- (b) equally and without preference among themselves; and
- (c) equally with all Equal Ranking Instruments that the Issuer has issued or may issue that has the same priority under the Constitution with respect to payment of dividends otherwise than in a winding up and with each of the other securities and instruments that the Issuer has issued or may issue that by their terms rank equally with respect to priority of payment of dividends, distributions or similar payments, otherwise than in a winding up.

11.2 Ranking in a winding-up

- (a) In a winding-up of the Issuer, a CPS2 confers upon the Holder the right to payment in cash of the Liquidation Sum out of the surplus (if any) available for distribution to shareholders, but no further or other right to participate in the assets of the Issuer on a return of capital in the winding-up.
- (b) Holders will rank for payment of the Liquidation Sum in a winding-up of the Issuer:
 - (i) in priority to Ordinary Shares;
 - (ii) equally and without preference among themselves;
 - (iii) equally with Equal Ranking Instruments; and
 - (iv) junior to the claims of all creditors of the Issuer, including depositors, other than creditors expressed to rank equally with the CPS2 in a winding-up.
- (c) The **Liquidation Sum** is an amount out of surplus assets equal to \$100 plus the amount of any Dividend determined to be paid but unpaid, subject to the operation of clause 8.14. (For the avoidance of doubt, even if the amount of the Liquidation Sum is less than \$100 plus the amount of any Dividend following the operation of clause 8.14, the ranking set out in clause 11.2(a) and (b) shall apply in accordance with their terms.)

11.3 Further issues not to vary class rights

Each of the following is expressly permitted and authorised by these Terms and does not affect, or constitute a modification or variation of, the rights or privileges attaching to the CPS2 then on issue:

- (a) the allotment or issue of preference shares (including further CPS2), or the conversion of existing shares into preference shares, ranking equally with or in priority to, or having different rights from, the CPS2 then on issue for participation in profits or assets of the Issuer, and whether entitled to cumulative or non-cumulative dividends;
- (b) a redemption, buy-back or return or distribution of capital in respect of any share capital other than a CPS2, whether ranking behind, equally with, or in priority to, the CPS2; and
- (c) the Conversion or Write Off of CPS2.

11.4 No set-off or offsetting rights

- (a) A Holder is not entitled to set-off any amounts due to a Holder in respect of CPS2 against any amount of any nature owed by the Holder to the Issuer.
- (b) A Holder will have no offsetting rights or claims on the Issuer if the Issuer does not pay a Dividend when scheduled under these Terms.
- (c) The Issuer is not entitled to set-off any amounts of any nature due to the Issuer against any amount owed by the Issuer to the Holder in respect of CPS2.

11.5 No security

CPS2 are unsecured.

11.6 Shortfall on winding-up

If, upon a return of capital on a winding-up of the Issuer, there are insufficient funds to pay in full the Liquidation Sum and the amounts payable in respect of any other instruments in the Issuer ranking equally with CPS2 on a winding-up of the Issuer, Holders and the holders of any such other instruments will share in any distribution of assets of the Issuer in proportion to the amounts to which they are entitled respectively.

11.7 No participation in surplus assets

CPS2 do not confer on the Holders any further right to participate in the surplus assets of the Issuer on a winding-up beyond payment of the Liquidation Sum.

11.8 Power of attorney

- (a) Each Holder appoints each of the Issuer, its officers and any External Administrator of the Issuer (each an "**Attorney**") severally to be the attorney of the Holder with power in the name and on behalf of the Holder to sign all documents and transfers and do any other thing as may in the Attorney's opinion be necessary or desirable to be done in order for the Holder to observe or perform the Holder's obligations under these Terms including, but not limited to, accepting any buy-back offer, effecting any Conversion, Redemption or Resale, making any entry in the Register or exercising any voting power in relation to any consent or approval required for Conversion, Redemption or Resale or in respect of an Approved NOHC Event or the transfer of CPS2 to an Approved NOHC (or other member of the Issuer Group) as contemplated by clause 17.2.
- (b) The power of attorney given in this clause 11.8 is given for valuable consideration and to secure the performance by the Holder of the Holder's obligations under these Terms and is irrevocable.

11.9 Holder acknowledgments

Each Holder irrevocably:

- (a) upon Conversion of a CPS2 in accordance with these Terms, consents to becoming a member of the Issuer and agrees to be bound by the Constitution, in each case in respect of the Ordinary Shares issued on Conversion (or, where an Approved NOHC Substitution Notice has been given, consents to becoming a member of that Approved NOHC and agrees to be bound by its constitution);
- (b) acknowledges and agrees that an Approved NOHC may be substituted for the Issuer as provider of ordinary shares on Conversion and that if such a substitution is effected on the terms provided by the amendment in accordance with clause 17.2, the Holder is obliged to accept ordinary shares in that Approved NOHC on a Conversion, and will not receive Ordinary Shares;
- (c) acknowledges and agrees that any amendment made in accordance with clause 17.2 to effect the substitution of an Approved NOHC as the issuer of ordinary shares on Conversion will not constitute a variation of any class rights attaching to CPS2;
- (d) acknowledges and agrees that it is obliged to accept ordinary shares upon a Conversion notwithstanding anything that might otherwise affect a Conversion of CPS2 including:
 - (i) any change in the financial position of the Issuer or any Approved NOHC since the Issue Date;
 - (ii) any disruption to the market or potential market for the ordinary shares or to capital markets generally; or
 - (iii) any breach by the Issuer or any Approved NOHC of any obligation in connection with CPS2;
- (e) acknowledges and agrees that:
 - (i) where clause 5.3 applies:
 - (A) there are no other conditions to a Non-Viability Conversion or Capital Trigger Conversion occurring as and when provided in clauses 5.1 to 5.5 (inclusive);
 - (B) Conversion must occur immediately on the Non-Viability Conversion Date or Capital Trigger Conversion Date (as applicable) and that Conversion or Write-Off may result in disruption or failures in trading or dealings in CPS2;
 - (C) it will not have any rights to vote in respect of any Non-Viability Conversion or Capital Trigger Conversion; and
 - (D) the Ordinary Shares issued on Non-Viability Conversion or Capital Trigger Conversion may not be quoted at the time of issue, or at all;
 - (ii) the only conditions to a Mandatory Conversion are the Mandatory Conversion Conditions;
 - (iii) the only conditions to a Conversion on account of an Exchange under clause 6 or a Conversion under clause 7 are the conditions expressly applicable to such Conversion as provided in clauses 6 and 7 of these Terms and no other conditions or events will affect Conversion; and
 - (iv) clause 8.14 is a fundamental term and where clause 8.14 applies, no other conditions or events will affect the operation of that clause and it will not have any rights to vote in respect of any Write Off;
- (f) agrees to provide to the Issuer any information necessary to give effect to a Conversion and, if applicable, to surrender any certificate relating to the CPS2 on the occurrence of the Conversion;
- (g) acknowledges and agrees that it has no remedy on account of a failure by the Issuer to issue Ordinary Shares to a Holder or a nominee in accordance with these Terms other than (and subject always to clause 8.14) to seek specific performance of the obligations to issue Ordinary Shares; and
- (h) acknowledges and agrees that a Holder has no right to request a Conversion, Redemption or Resale of any CPS2 or to determine the Exchange Method.

11.10 Buy-backs

Subject to APRA's prior written approval, the Issuer may purchase on-market or otherwise conduct a buy-back in relation to CPS2 at any time and at any price.

11.11 No other rights

- (a) The CPS2 do not confer on Holders any right to participate in profits or property of the Issuer except as set out in these Terms.
- (b) The CPS2 do not confer on Holders any right to subscribe for new securities in the Issuer or to participate in any bonus issues of securities of the Issuer.

12 Voting and other rights

12.1 Meetings

In accordance with the Constitution, a Holder will have the same rights as the holders of Ordinary Shares with respect to receiving notices of general meetings and financial reports and attending the Issuer's general meetings.

12.2 Voting rights

A Holder will not be entitled to vote at any general meeting of the Issuer except that they may vote:

- (a) on any resolution during a period in which a Dividend or part of a Dividend remains unpaid;
- (b) on any resolution:
 - (i) to reduce the Issuer's share capital, other than a resolution to approve a Redemption of CPS2;
 - (ii) that affects the rights attached to the CPS2;
 - (iii) to wind up the Issuer; or
 - (iv) for the disposal of the whole of the Issuer's property, business and undertaking;
- (c) on a resolution to approve the terms of a buy-back agreement, other than a resolution to approve a Redemption of CPS2; and
- (d) during a winding-up of the Issuer,

in which case a Holder will have the same rights as to manner of attendance and to voting as a holder of Ordinary Shares with one vote per CPS2.

12.3 Not a 'voting share'

Each Holder acknowledges and agrees that a CPS2 will not constitute a 'voting share' for the purposes of the Corporations Act.

12.4 No right to apply for the winding-up of the Issuer

Each Holder acknowledges and agrees that a Holder has no right to apply for the Issuer to be wound up, or placed in administration, or to cause a receiver, or a receiver and manager, to be appointed in respect of the Issuer merely on the grounds that the Issuer does not pay a Dividend when scheduled in respect of CPS2.

12.5 No events of default

Each Holder acknowledges and agrees that these Terms contain no events of default. Accordingly (but without limitation) failure to pay in full, for any reason, a Dividend on the scheduled Dividend Payment Date will not constitute an event of default.

13 Takeovers and schemes of arrangement

If:

- (a) a takeover bid is made for Ordinary Shares, acceptance of which is recommended by the Directors; or
- (b) the Directors recommend a scheme of arrangement in respect of the Ordinary Shares of the Issuer which will result in a person other than the Issuer having a relevant interest in more than 50% of the Ordinary Shares,

in each case which would result in a Change of Control Event then, if the Directors consider that:

- (i) the Issuer will not be permitted to elect to Exchange the CPS2 in accordance with clause 6 or to Convert the CPS2 in accordance with clause 7; or
- (ii) the Second Mandatory Conversion Condition or the Third Mandatory Conversion Condition will not be satisfied in respect of the Change of Control Conversion Date in accordance with clause 7,

the Directors will use all reasonable endeavours to procure that equivalent takeover offers are made to Holders or that they are entitled to participate in the scheme of arrangement or a similar transaction.

14 Approved NOHC Events

14.1 The Issuer may give an Approved NOHC Substitution Notice

If:

- (a) an Approved NOHC Event is proposed to occur; and
- (b) the Approved NOHC agrees for the benefit of Holders:
 - (i) to deliver Approved NOHC Ordinary Shares under all circumstances when the Issuer would have otherwise been obliged to deliver Ordinary Shares on a Conversion, subject to the same terms and conditions as set out in these Terms as amended by this clause 14;
 - (ii) to comply with the restrictions in clause 3.7 (with all appropriate modifications) of these Terms; and
 - (iii) to use all reasonable endeavours and furnish all such documents, information and undertakings as may be reasonably necessary in order to procure quotation of all Approved NOHC Ordinary Shares issued under these Terms (with all necessary modifications) on the securities exchanges on which the other Approved NOHC Ordinary Shares are quoted at the time of a Conversion,

the Issuer may give a notice (an “**Approved NOHC Substitution Notice**”) to Holders (which, if given, must be given as soon as practicable before the Approved NOHC Event and in any event no later than 10 Business Days before the Approved NOHC Event occurs) specifying the amendments to these Terms which will be made in accordance with clause 17.2 to effect the substitution of an Approved NOHC as the issuer of ordinary shares on Conversion (the “**Approved NOHC Substitution Terms**”).

An Approved NOHC Substitution Notice, once given, is irrevocable.

14.2 Restrictions on issuing an Approved NOHC Substitution Notice

The Issuer must not give an Approved NOHC Substitution Notice unless:

- (a) the Approved NOHC subscribes for Ordinary Shares or other capital instruments acceptable to APRA in such amount as may be necessary, or takes other steps acceptable to APRA to ensure that the capital position of the Issuer on a Level 1 and Level 2 basis as described in the Prudential Standards will not be adversely affected, including, if required by APRA or the Prudential Standards, undertaking any capital injection in relation to the Issuer to replace CPS2; and
- (b) any capital injection carried out pursuant to paragraph (a) is:
 - (i) unconditional;
 - (ii) occurs simultaneously with the substitution of the Approved NOHC; and
 - (iii) of equal or better quality capital and at least the same amount as CPS2, unless otherwise approved by APRA in writing.

14.3 Consequences of an Approved NOHC Substitution Notice

If the Issuer gives an Approved NOHC Substitution Notice to Holders in accordance with clause 14.1, the Approved NOHC Substitution Terms will have effect on and from the date specified in the Approved NOHC Substitution Notice.

15 Payments and other matters

15.1 Manner of payment

Monies payable by the Issuer to a Holder in respect of a CPS2 will be paid in dollars in any manner the Issuer decides from time to time, including:

- (a) by any method of direct credit determined by the Issuer to the Holder or Holders shown on the Register or to such person or place acceptable to the Issuer as directed by them; or
- (b) by cheque sent by prepaid post on the scheduled payment date, at the risk of the registered Holder, to the Holder (or to the first named joint holder of the CPS2) at its address appearing in the Register.

Cheques sent on the scheduled payment date to the nominated address of a Holder will be taken to have been received by the Holder on that date and no further amount will be payable by the Issuer in respect of the CPS2 as a result of the Holder not receiving payment on that date.

15.2 Holders entitled to payment

Monies payable by the Issuer in respect of a CPS2 shall be paid:

- (a) in the case of a payment of a Dividend, to the Holder appearing in the Register at the close of business on the Record Date; and
- (b) in the case of a payment of the Redemption Price, to the Holder appearing in the Register at 10:00am (Melbourne time) on the Exchange Date,

in each case unless otherwise required by the ASX Listing Rules.

15.3 Unpresented cheques

Cheques issued by the Issuer that are not presented within six months of being issued or such lesser period as determined by the Issuer may be cancelled. Where a cheque which is cancelled was drawn in favour of a Holder, the moneys are to be held by the Issuer for the Holder in a non-interest bearing deposit in a bank selected by the Issuer or paid by the Issuer according to the legislation relating to unclaimed moneys.

15.4 Unsuccessful attempts to pay – other

Subject to applicable law and the ASX Listing Rules, where the Issuer:

- (a) decides that an amount is to be paid to a Holder by a method of direct credit and the Holder has not given a direction as to where amounts are to be paid by that method;
- (b) attempts to pay an amount to a Holder by direct credit, electronic transfer of funds or any other means and the transfer is unsuccessful; or
- (c) has made reasonable efforts to locate a Holder but is unable to do so,

then in each case, the amount is to be held by the Issuer for the Holder in a non-interest bearing deposit with a bank selected by the Issuer until the Holder or any legal personal representative of the Holder claims the amount or the amount is paid by the Issuer according to the legislation relating to unclaimed moneys.

15.5 Payment to joint Holders

A payment to any one of joint Holders will discharge the Issuer's liability in respect of the payment.

15.6 Time limit for claims

A claim against the Issuer for payment according to these Terms is void, to the fullest extent permitted by applicable law, unless made within five years of the date for payment.

15.7 Calculations and rounding of payments

Unless otherwise specified in these Terms:

- (a) all calculations of amounts payable in respect of a CPS2 will be rounded to four decimal places; and
- (b) for the purposes of making payment to a Holder in respect of the Holder's aggregate holding of CPS2, any fraction of a cent will be disregarded.

15.8 Deductions

- (a) The Issuer may deduct from any amount payable in respect of CPS2 the amount of any withholding or other tax, duty or levy required by law or by any administrative practice or procedure of any authority 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 Issuer to the relevant revenue authority and the balance of the amount payable has been paid to the relevant Holder, then the full amount payable to such Holder shall be deemed to have been duly paid and satisfied by the Issuer.
- (b) The Issuer shall pay the full amount required to be deducted to the relevant revenue authority within the time allowed for such payment without incurring any penalty under the applicable law and shall, if required by any Holder, deliver to that Holder the relevant receipt issued by the revenue authority after it is received by the Issuer.

15.9 FATCA

Without limiting clause 15.8, the Issuer may withhold or make deductions from payments or from the issue of Ordinary Shares to a Holder or (where clause 8.10 or clause 8.11 apply) the nominee where it is required to do so under or in connection with FATCA, or where it has reasonable grounds to suspect that the Holder or a beneficial owner of CPS2 may be subject to FATCA, and may deal with such payment, and any Ordinary Shares in accordance with FATCA. If any withholding or deduction arises under or in connection with FATCA, the Issuer will not be required to pay any further amounts or issue any further Ordinary Shares on account of such withholding or deduction or otherwise reimburse or compensate, or make any payment to, a Holder (or, where applicable, the nominee) or a beneficial owner of CPS2 for or in respect of any such withholding or deduction. A dealing with such payment and any Ordinary Shares in accordance with FATCA satisfies the Issuer's obligations to that Holder to the extent of the amount of that payment or issue of Ordinary Shares.

16 Notices

16.1 Notices to Holders

All notices, certificates, consents, approvals, waivers and other communications in connection with CPS2 to the Holders must be in writing and may be:

- (a) given by publication of an announcement on ASX, for so long as CPS2 are quoted on ASX;
- (b) given by an advertisement published in the Australian Financial Review or The Australian, or any other newspaper nationally circulated within Australia; or
- (c) sent by prepaid post (airmail if appropriate) or left at the address of the relevant Holder (as shown in the Register at the close of business on the day which is three Business Days before the date of the relevant notice or communication).

16.2 Non-receipt of notice by a Holder

The non-receipt of a notice or other communication by a Holder or an accidental omission to give notice to a Holder will not invalidate the giving of that notice either in respect of that Holder or generally.

16.3 Notices to the Issuer

All notices or other communications to the Issuer in respect of these Terms must be:

- (a) in legible writing or typing and in English;
- (b) addressed as shown below:

Attention: Share Registry Manager

Address: Bendigo and Adelaide Bank Share Registry, PO BOX 480, BENDIGO VIC 3552

Fax No: +61 3 5485 7655,

or to such other address or fax number as the Issuer notifies to Holders as its address or fax number (as the case may be) for notices or other communications in respect of these Terms from time to time (an "Issuer Details Notice");

- (c) signed by the person making the communication or by a person duly authorised by that person; and
- (d) delivered or posted by prepaid post to the address, or sent by fax to the fax number, of the Issuer in accordance with this clause 16.3.

A notice to the Issuer will be taken to be received:

- (a) if sent by fax, when actually received in its entirety in legible form, unless that day is not a Business Day, or is after 5:00pm (Melbourne time) on a Business Day, in which case that communication will be regarded as received at 9:00am (Melbourne time) on the next Business Day; and
- (b) in any other case, on delivery at the address of the Issuer as provided in clause 16.3, unless that delivery is not made on a Business Day, or is after 5:00pm (Melbourne time) on a Business Day, in which case that communication will be regarded as received at 9:00am (Melbourne time) on the next Business Day.

16.4 Notices and reports

Each Holder is entitled to receive notice of any general meeting of the Issuer and a copy of every circular and like document sent out by the Issuer to Ordinary Shareholders and to attend general meetings of the Issuer.

17 Amendment of these Terms

17.1 Amendments without consent

Subject to complying with all applicable laws and subject to APRA's prior written approval where required in accordance with clause 17.5, the Issuer may amend these Terms without the authority, assent or approval of Holders where the amendment in the opinion of the Issuer:

- (a) is of a formal, technical or minor nature;
- (b) is made to cure any ambiguity or correct any manifest error;
- (c) is necessary or expedient for the purposes of enabling CPS2 to be:
 - (i) listed, or to retain quotation, on any securities exchange (including, without limitation, in connection with any change in the principal securities exchange on which Ordinary Shares are listed);
 - (ii) lodged in a clearing system or to remain lodged in a clearing system; or
 - (iii) offered for subscription or for sale under the laws for the time being in force in any place;

- (d) is necessary to comply with:
 - (i) the provisions of any statute or the requirements of any statutory authority; or
 - (ii) the ASX Listing Rules or the listing or quotation requirements of any securities exchange on which the Issuer may propose to seek a listing of CPS2;
- (e) is made in accordance with the Issuer's adjustment rights in clause 8;
- (f) amends any date or time period stated, required or permitted in connection with any Mandatory Conversion, Non-Viability Conversion, Capital Trigger Conversion or Exchange in a manner necessary or desirable to facilitate the Mandatory Conversion, Non-Viability Conversion, Capital Trigger Conversion or Exchange (including without limitation where in connection with a Redemption the proceeds of Redemption are to be reinvested in a new security to be issued by the Issuer or a Related Entity); or
- (g) is not likely (taken as a whole and in conjunction with all other amendments or actions, if any, to be made at or about the time of that amendment) to be materially prejudicial to the interests of Holders as a whole.

17.2 Amendment without consent for substitution of an Approved NOHC

Subject to complying with all applicable laws and with APRA's prior written approval where required under clause 17.5, if the circumstances described in clauses 14.1(a) and 14.1(b) apply, without the authority, assent or approval of Holders, the Issuer may give an Approved NOHC Substitution Notice which:

- (a) amends the definition of 'Conversion' in clause 8 such that, unless APRA otherwise agrees, on the date CPS2 are to be Converted:
 - (i) each CPS2 that is being Converted will be automatically transferred by each Holder free from Encumbrance to the Approved NOHC (or otherwise, the parent company of the Issuer) (the "Transferee") on the date the Conversion is to occur;
 - (ii) each Holder will be issued a number of Approved NOHC Ordinary Shares equal to the Conversion Number; and
 - (iii) as between the Issuer and the Transferee:
 - (A) each CPS2 held by the Transferee as a result of the transfer will be automatically Converted into an Ordinary Share; and
 - (B) an additional number of Ordinary Shares will be issued to the Transferee, such that the total number of Ordinary Shares held by the Transferee by reason of the sub-paragraphs of this clause 17.2(a)(iii) increases by the number which equals the number of Approved NOHC Ordinary Shares issued by the Approved NOHC to Holders on Conversion; and
- (b) makes such other amendments as in the Issuer's reasonable opinion are necessary and appropriate to effect the substitution of an Approved NOHC as the provider of the ordinary shares on Conversion in the manner contemplated by these Terms, including without limitation:
 - (i) amendments and additions to the definition of 'Acquisition Event', 'Group', 'Ordinary Shares', 'Non-Viability Trigger Event', 'Capital Trigger Event', 'Regulatory Event' and 'Tax Event';
 - (ii) amendments to the mechanics for adjusting the Conversion Number; and
 - (iii) any term defining the rights of Holders if the Conversion is not effected which is appropriate for the CPS2 to remain as Tier 1 Capital.

17.3 Amendments with consent

Without limiting clause 17.1 or clause 17.2, the Issuer may, with APRA's prior written approval where required in accordance with clause 17.5, amend these Terms if the amendment has been approved by a Special Resolution.

17.4 Notification of Amendment to APRA

The Issuer will promptly notify APRA of any amendments made in accordance with this clause 17.

17.5 Requirement for APRA approval

A requirement in this clause 17 for an amendment to be made with APRA's prior written approval applies only where the amendment may affect the eligibility of CPS2 as a Relevant Preference Security.

17.6 Meaning of amend and amendment

In this clause 17, amend includes modify, cancel, alter or add to and amendment has a corresponding meaning.

18 Quotation on ASX

The Issuer 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 CPS2 on ASX.

19 Governing law and jurisdiction

19.1 Governing law

The CPS2 and these Terms are governed by and shall be construed in accordance with the laws of the State of Victoria, Australia.

19.2 Jurisdiction

The Issuer and each Holder submits to the non-exclusive jurisdiction of the courts of the State of Victoria for the purposes of any legal proceedings arising out of these Terms.

20 Interpretation and definitions

20.1 Interpretation

- (a) Unless the context otherwise requires, if there is any inconsistency between the provisions of these Terms and the Constitution then, to the maximum extent permitted by law, the provisions of these Terms will prevail.
- (b) Unless otherwise specified, the Directors may exercise all powers of the Issuer under these Terms as are not, by the Corporations Act or by the Constitution, required to be exercised by the Issuer in a general meeting.
- (c) Unless otherwise specified, a reference to a clause is a reference to a clause of these Terms.
- (d) If a calculation is required under these Terms, unless the contrary intention is expressed, the calculation will be rounded to four decimal places.
- (e) Subject to clause 20.1(a), definitions and interpretation under the Constitution will also apply to these Terms unless the contrary intention is expressed.
- (f) The terms “takeover bid”, “relevant interest”, “scheme of arrangement”, “buy-back” and “on-market buy-back” when used in Terms have the meaning given in the Corporations Act.
- (g) Headings and boldings are for convenience only and do not affect the interpretation of these Terms.
- (h) The singular includes the plural and vice versa.
- (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) Other than:
 - (i) in relation to a Non-Viability Trigger Event and a Conversion or Write-Off, in each case on account of a Non-Viability Trigger Event;
 - (ii) in relation to a Capital Trigger Event and a Conversion or Write-Off, in each case on account of a Capital Trigger Event; and
 - (iii) where a contrary intention is expressed,if an event under these Terms 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.
- (k) A reference to dollars, AUD, A\$, \$ or cents is a reference to the lawful currency of Australia.
- (l) Any reference to any requirements of APRA or any other prudential regulatory requirements in these Terms will apply or be operative with respect to the Issuer only if the Issuer is an entity, or the holding company of an entity, or is a direct or indirect subsidiary of a holding company (including a NOHC), which is subject to regulation and supervision by APRA at the relevant time.
- (m) Any requirement for APRA’s consent or approval in any provision of these Terms will apply only if APRA requires that such consent or approval be given at the relevant time.
- (n) A reference to any term defined by APRA (including, without limitation, “Additional Tier 1 Capital”) shall, if that term is replaced or superseded in any of APRA’s applicable prudential regulatory requirements or standards, be taken to be a reference to the replacement or equivalent term.
- (o) A reference to a term defined by the ASX Listing Rules or the ASX Operating Rules shall, if that term is replaced in those rules, be taken to be a reference to the replacement term.
- (p) If the principal securities exchange on which Ordinary Shares are listed becomes other than ASX, unless the context otherwise requires a reference to ASX shall be read as a reference to that principal securities exchange and a reference to the ASX Listing Rules, ASX Operating Rules or any term defined in any such rules, shall be read as a reference to the corresponding rules of that exchange or corresponding defined terms in such rules (as the case may be).
- (q) Calculations, elections and determinations made by the Issuer under these Terms are binding on Holders in the absence of manifest error.
- (r) Where under these Terms, APRA approval is required, for any act to be done or not done, that term does not imply that APRA approval has been given as at the Issue Date.

20.2 Definitions

Acquisition Event means:

- (a) Subject to paragraph (b), either:
 - (i) a takeover bid (as defined in the Corporations Act) is made to acquire all or some of the Ordinary Shares and such offer is, or becomes, unconditional and either:
 - (A) the bidder has at any time during the offer period, a relevant interest in more than 50% of the Ordinary Shares on issue; or
 - (B) the directors of the Issuer, acting as a board, issue a statement that at least a majority of its directors who are eligible to do so have recommended acceptance of such offer (in the absence of a higher offer); or
 - (ii) a court orders the holding of meetings to approve a scheme of arrangement under Part 5.1 of the Corporations Act, which scheme would result in a person having a relevant interest in more than 50% of the Ordinary Shares that will be on issue after the scheme is implemented and:
 - (A) all classes of members of the Issuer pass all resolutions required to approve the scheme by the majorities required under the Corporations Act to approve the scheme; and
 - (B) an independent expert issues a report that the proposals in connection with the scheme are in the best interests of the holders of Ordinary Shares.
- (b) None of the events described in paragraph (a) above will constitute an Acquisition Event if the event would be a NOHC Event and:
 - (i) the acquirer (or its ultimate holding company) assumes all of the Issuer's obligations to convert the CPS2 into Ordinary Shares by undertaking to convert such CPS2 into ordinary shares of the acquirer (or its ultimate holding company) on any Mandatory Conversion Date, or earlier upon the occurrence of a Change of Control Event, Non-Viability Trigger Event or Capital Trigger Event in respect of the acquirer (or its ultimate holding company) (for which purposes all references in this clause to the Issuer will be read as a reference to the acquirer (or its ultimate holding company));
 - (ii) the acquirer (or its ultimate holding company) agrees to comply with the restrictions in clause 3.7 (with all appropriate modifications) of these Terms; and
 - (iii) the ordinary shares of the acquirer (or its ultimate holding company) are listed on ASX.

Additional Tier 1 Capital means additional tier 1 capital as defined by APRA from time to time.

Adjustment Notice has the meaning given in clause 8.8.

Approved NOHC means a NOHC arising as a result of an Approved NOHC Event.

Approved NOHC Event means a NOHC Event in respect of which paragraph (b) of the definition of Acquisition Event is satisfied.

Approved NOHC Ordinary Share means a fully paid ordinary share in the capital of the Approved NOHC.

Approved NOHC Substitution Notice has the meaning given in clause 14.1.

Approved NOHC Substitution Terms has the meaning given in clause 14.1.

APRA means the Australian Prudential Regulation Authority (ABN 79 635 582 658) or any successor body responsible for prudential regulation of the Issuer, the Group or any NOHC.

ASX means ASX Limited (ABN 98 008 624 691) or the securities market operated by it, as the context requires, or any successor.

ASX Listing Rules means the listing rules of ASX as amended, varied or waived (whether in respect of the Issuer or generally) from time to time.

ASX Operating Rules means the market operating rules of ASX as amended, varied or waived (whether in respect of the Issuer or generally) from time to time.

Attorney has the meaning given in clause 11.8(a).

Bank Bill Rate has the meaning given in clause 3.1.

Bookbuild means the process conducted prior to the opening of the Offer whereby certain investors lodged bids for CPS2 and, on the basis of those bids, the Issuer and the joint lead managers to the Offer determined the Margin.

Business Day means a business day as defined in the ASX Listing Rules.

Capital Trigger Conversion means the Conversion of CPS2 to Ordinary Shares on the Capital Trigger Conversion Date in accordance with clause 5.3.

Capital Trigger Conversion Date has the meaning given in clause 5.3(b).

Capital Trigger Event has the meaning given in clause 5.2.

Capital Trigger Event Notice has the meaning given in clause 5.4(b).

Change of Control Conversion Date has the meaning given in clause 7.3(b).

Change of Control Conversion Notice has the meaning given in clause 7.2.

Change of Control Event means where both an Acquisition Event and one of the following has occurred:

- (a) in the case of an Acquisition Event occurring because of a takeover bid, all regulatory approvals necessary for the acquisition to occur have been obtained; and
- (b) in the case of an Acquisition Event occurring because of a scheme of arrangement, all conditions to the implementation of the scheme, including any necessary regulatory or shareholder approvals (including approval of the scheme by the court) have been satisfied or waived.

For the avoidance of doubt, a Change of Control Event will not occur where paragraph (b) of the definition of Acquisition Event applies.

Change of Control Event Notice has the meaning given in clause 7.1.

CHESS means the Clearing House Electronic Sub-register System operated by ASX Settlement Pty Limited (ABN 49 008 504 532).

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

Control has the meaning given in the Corporations Act.

Controlled Entity means, in respect of the Issuer, an entity the Issuer Controls.

Conversion means, in relation to a CPS2, subject to amendment in accordance with clause 17.1(f), the conversion of the CPS2 into an Ordinary Share and the issue of additional Ordinary Shares in respect of that CPS2 in accordance with clause 8, and Convert, Converted and Converting have corresponding meanings.

Conversion Number has the meaning given in clause 8.1(b).

Conversion Test Date Percentage has the meaning given in clause 4.3.

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

CPS means the \$268,870,300 convertible preference shares issued on 1 November 2012 by the Issuer pursuant to a prospectus dated 2 October 2012.

CPS2 has the meaning given in clause 1.1.

Cum Value has the meaning given in clause 8.2.

Defaulting Nominated Purchaser has the meaning given in clause 10.6

Deferred Change of Control Conversion Notice has the meaning given in clause 7.5.

Deferred Conversion Date has the meaning given in clause 6.6.

Deferred Conversion Notice has the meaning given in clause 6.6.

Delisting Event means, in respect of a date, that:

- (a) the Issuer has ceased to be listed or Ordinary Shares have ceased to be quoted on ASX on or before that date (and where the cessation occurred before that date, the Issuer or the Ordinary Shares continue not to be listed or quoted (as applicable) on that date);
- (b) trading of Ordinary Shares on ASX is suspended for a period of consecutive days which includes:
 - (i) at least five consecutive Business Days prior to that date; and
 - (ii) that date; or
- (c) an Inability Event subsists.

Directors means some or all of the directors of the Issuer acting as a board.

Dividend has the meaning given in clause 3.

Dividend Payment Date has the meaning given in clause 3.5.

Dividend Period means in respect of:

- (a) the first Dividend Period, the period from (and including) the Issue Date until (but not including) the first Dividend Payment Date after the Issue Date; and
- (b) each subsequent Dividend Period, the period from (and including) the preceding Dividend Payment Date until (but not including) the next Dividend Payment Date.

Dividend Rate has the meaning given in clause 3.1.

Encumbrance means any mortgage, pledge, charge, lien, assignment by way of security, hypothecation, security interest, title retention, preferential right or trust arrangement, any other security agreement or security arrangement (including any security interest under the *Personal Property Securities Act 2009* (Cth))

and any other arrangement of any kind having the same effect as any of the foregoing other than liens arising by operation of law.

Equal Ranking Instruments means:

- (a) in respect of Dividends, any preference share or other instrument issued by the Issuer which ranks equally with CPS2 in respect of payment of dividends; and
- (b) in respect of winding-up, any preference share or other instrument issued by the Issuer which ranks equally with CPS2 for a return of capital in the winding-up of the Issuer,

including in each case CPS.

Exchange means:

- (a) Conversion in accordance with and subject to clause 8;
 - (b) Redemption in accordance with and subject to clause 9;
 - (c) Resale in accordance with clause 10; or
 - (d) a combination of two or more of Conversion, Redemption or Resale in accordance with clause 6.3,
- and **Exchanged** has a corresponding meaning.

Exchange Date has the meaning given in clause 6.2(b).

Exchange Method has the meaning given in clause 6.3

Exchange Notice has the meaning given in clause 6.1.

External Administrator means, in respect of a person:

- (a) a liquidator, a provisional liquidator, an administrator or a statutory manager of that person; or
- (b) a receiver, or a receiver and manager, in respect of all or substantially all of the assets and undertakings of that person; or
- (c) in either case, any similar official.

FATCA means the Foreign Account Tax Compliance Act provisions, sections 1471 through 1474 of the United States Internal Revenue Code (including any regulations or official interpretations issued, agreements entered into or non-US laws enacted with respect to those provisions).

First Mandatory Conversion Condition has the meaning given in clause 4.3.

First Optional Conversion Restriction has the meaning given in clause 6.5.

First Test Date has the meaning given in clause 4.3.

First Test Date Percentage has the meaning given in clause 4.3.

Fixed Conversion Number has the meaning in clause 8.14(b).

Foreign Holder means a Holder whose address in the Register is a place outside Australia or who the Issuer otherwise believes may not be a resident of Australia.

Group means the Issuer and each of its Controlled Entities .

Holder means a person whose name is registered in the Register as the holder of a CPS2.

Inability Event means the Issuer is prevented by applicable law or order of any court or action of any government authority (including regarding the insolvency, winding-up or other external administration of the Issuer) or any other reason from Converting the CPS2.

Issue Date means the date on which the issue and allotment of CPS2 to successful applicants is completed, in accordance with these Terms.

Issue Date VWAP means the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the first date on which CPS2 were issued, as adjusted in accordance with clauses 8.4 to 8.7(inclusive).

Issue Price has the meaning given in clause 1.2.

Issuer means Bendigo and Adelaide Bank Limited (ABN 11 068 049 178).

Issuer Details Notice has the meaning given in clause 16.3.

Issuer Shares means Ordinary Shares or any other shares in the capital of the Issuer.

Level 1 Common Equity Tier 1 Capital Ratio means, in respect of the Level 1 Group, the ratio of the Common Equity Tier 1 Capital of the Level 1 Group to the risk weighted assets of the Level 1 Group, calculated in accordance with the Prudential Standards.

Level 1 Group means the Issuer and those of its Controlled Entities included by APRA from time to time in the calculation of the Issuer's Prudential Capital Requirement and Level 1 Common Equity Tier 1 Capital Ratio.

Level 2 Common Equity Tier 1 Capital Ratio means, in respect of the Level 2 Group, the ratio of the Common Equity Tier 1 Capital of the Level 2 Group to the risk weighted assets of the Level 2 Group, calculated in accordance with the Prudential Standards.

Level 2 Group means the Issuer together with each related entity included by APRA from time to time in the calculation of the Issuer's Prudential Capital Requirement and Level 2 Common Equity Tier 1 Capital Ratio.

Liquidation Sum has the meaning given in clause 11.2(c).

Mandatory Conversion means the mandatory conversion of CPS2 to Ordinary Shares on the Mandatory Conversion Date in accordance with clause 4.

Mandatory Conversion Conditions has the meaning given in clause 4.3

Mandatory Conversion Date has the meaning given in clause 4.2

Margin has the meaning given in clause 3.1.

Maximum Conversion Number has the meaning given in clause 8.1.

NOHC means a 'non-operating holding company' within the meaning of the Banking Act.

NOHC Event means an event which:

- (a) is initiated by the Directors, acting as a board; and
- (b) would otherwise be an Acquisition Event,

but the result of which would be that the person who would be the ultimate holding company of the Issuer would be a NOHC.

Nominated Purchasers means, subject to clause 10.3, one or more third parties selected by the Issuer in its absolute discretion.

Non-Conversion Notice has the meaning given in clause 4.4.

Non-Conversion Test Date has the meaning given in clause 6.5

Non-Viability Conversion means the Conversion of CPS2 to Ordinary Shares on the Non-Viability Conversion Date in accordance with clause 5.3.

Non-Viability Conversion Date has the meaning given in clause 5.3(a).

Non-Viability Trigger Event has the meaning given in clause 5.1(a).

Non-Viability Trigger Event Notice has the meaning given in clause 5.4(a).

Offer means the invitation under the Prospectus made by the Issuer for persons to subscribe for CPS2.

Optional Conversion Restrictions has the meaning given in clause 6.5

Optional Exchange Date means 30 November 2020.

Ordinary Share means a fully paid ordinary share in the capital of the Issuer.

Proceeds means the net proceeds of a sale of Ordinary Shares attributable to the Holder actually received by the nominee calculated after deduction of any applicable brokerage, stamp duty and other taxes and charges, including the nominee's reasonable out of pocket costs, expenses and charges properly incurred by it or on its behalf in connection with such sale from the sale price of the Ordinary Shares.

Prospectus means the prospectus for the Offer including these Terms.

Prudential Capital Requirement means such ratio or ratios as defined by APRA from time to time.

Prudential Standards means the Prudential Standards and guidelines published by APRA and applicable to the Issuer or the Group from time to time.

Record Date means, in the case of:

- (a) the payment of a Dividend, the date which is eight Business Days before the relevant Dividend Payment Date or, if that date does not fall on a Business Day, the immediately preceding Business Day (or such other date as may be prescribed under the ASX Listing Rules or, if not prescribed by the ASX Listing Rules, a date determined by the Issuer and notified to ASX); and
- (b) the payment of any other amount, a date determined by the Issuer and notified to ASX (or such other date as may be prescribed by ASX).

Redeem means, in relation to a CPS2, subject to amendment in accordance with clause 17.1(f), redeem, buy back (other than an on-market buy-back within the meaning of the Corporations Act) or reduce capital, or any combination of such activities, in connection with that CPS2 in accordance with clause 9 and **Redeemed** and **Redemption** have corresponding meanings.

Redemption Price has the meaning given in clause 9.2.

Register means the register of CPS2 maintained by or on behalf of the Issuer and including any subregister established and maintained in CHESS.

Registrar means Computershare Investor Services Pty Limited or any other person appointed by the Issuer to maintain the Register and perform any payment and other duties as specified in that agreement.

Regulated Entity means an authorised general insurer under the *Insurance Act 1973* (Cth), an authorised deposit-taking institution under the *Banking Act 1959* (Cth), a registered life insurance company under the *Life Insurance Act 1995* (Cth) or other prudentially regulated entity.

Regulatory Event means:

- (a) the receipt by the Directors of an opinion from a reputable legal counsel that, as a result of any amendment to, clarification of or change (including any announcement of a change that is to be introduced) in any law or regulation or any official administrative pronouncement or action (including any prudential standard, limit or other restriction) 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 (and which the Issuer does not expect, as at the Issue Date, may come into effect), additional requirements would be imposed on the Issuer in relation to or in connection with CPS2 which the Directors determine, in their absolute discretion, to be unacceptable; or
- (b) as a consequence of any amendment to, clarification of or change (including any announcement of a change that is to be introduced) in any law or regulation or any official administrative pronouncement, or action (including any prudential standard, limit or other restriction) 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 (and which the Issuer does not expect, as at the Issue Date, may come into effect), the Directors determine that the Issuer is not or will not be entitled to treat some or all CPS2 as Additional Tier 1 Capital.

Related Entity has the meaning given by APRA from time to time.

Relevant Date has the meaning given in clause 4.2

Relevant Dividend Payment Date has the meaning given in clause 3.7

Relevant Fraction has the meaning given in clause 8.1.

Relevant Preference Security means a subordinated instrument (other than an Ordinary Share) issued by the Issuer or another member of the Group with no fixed maturity date which:

- (a) in accordance with its terms or by operation of law, is capable of being converted into Ordinary Shares or Written Off where APRA makes a determination as referred to in clauses 5.1 and 5.2; and
- (b) constitutes Additional Tier 1 Capital of the Issuer and/or Group as at the date of its issue or thereafter.

Reorganisation means, in relation to the Issuer, a division, consolidation or reclassification of the Issuer's share capital not involving any cash payment or other consideration to or by holders of Ordinary Shares.

Resale means, in relation to a CPS2, subject to amendment in accordance with clause 17.1(f), the taking effect of the rights specified in clause 10 in relation to that CPS2, and Resold and Resell have corresponding meanings.

Resale Price means, for a CPS2, a cash amount equal to its Issue Price.

Scheduled Mandatory Conversion Date has the meaning given in clause 4.2

Second Mandatory Conversion Condition has the meaning given in clause 4.3.

Second Optional Conversion Restriction has the meaning given in clause 6.5

Second Test Period has the meaning given in clause 4.3

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

Subsequent Mandatory Conversion Date has the meaning given in clause 4.2

Subsidiary has the meaning given in the Corporations Act.

Tax Act means:

- (a) the *Income Tax Assessment Act 1936* (Cth) or the *Income Tax Assessment Act 1997* (Cth) as the case may be 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 under it.

Tax Event means the receipt by the Directors of an opinion from a reputable legal counsel or other 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 announcement of a change that is to be introduced), 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, published 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 an Administrative Action that provides for a position that differs from the current generally accepted position; or
- (d) a challenge by the Australian Taxation Office in relation to (or in connection with) CPS2 which is asserted or threatened in writing,

in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification, change, challenge or Administrative Action is made known, which amendment, clarification, change, challenge or Administrative Action is effective, or which pronouncement or decision is announced, on or after the Issue Date and which is not expected by the Issuer on the Issue Date, there is more than an insubstantial risk which the Directors determine (having received all approvals they consider in their absolute discretion to be necessary (including from APRA)) at their absolute discretion to be unacceptable that:

- (i) any Dividend would not be a frankable dividend or distribution within the meaning of Division 202 of the Tax Act;
- (ii) the Issuer would be exposed to more than a de minimis increase in its costs (including without limitation through the imposition of any taxes, duties, assessments or other charges) in relation to CPS2; or
- (iii) (if a NOHC Event has occurred) the CPS2 would not be disregarded, or would cease to be disregarded, in accordance with Section 703-37 of the Tax Act.

Terms means these terms of issue of CPS2.

Third Mandatory Conversion Condition has the meaning given in clause 4.3

Transferee has the meaning given in clause 17.2.

VWAP means, subject to any adjustments under clause 8, the average of the daily volume weighted average sale prices (such average being 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 “Crossing” transacted outside the “Open Session State” or any “Special Crossing” transacted at any time, each as defined in the ASX Operating Rules, or any overseas trades or trades pursuant to the exercise of options over Ordinary Shares.

VWAP Period means:

- (a) in the case of a Conversion resulting from an Acquisition Event or a Change of Control Event, the lesser of:
 - (i) 20 Business Days on which trading in Ordinary Shares takes place; and
 - (ii) the number of Business Days on which trading in Ordinary Shares takes place that the Ordinary Shares are quoted for trading on ASX after the occurrence of the Acquisition Event or Change of Control Event (as the case may be);

in each case immediately preceding (but not including) the Business Day before the Exchange Date or Change of Control Conversion Date in respect of that event (as the case may be);

- (b) in the case of a Conversion resulting from a Non-Viability Trigger Event or Capital Trigger Event, the period of five Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Non-Viability Conversion Date or Capital Trigger Conversion Date (as applicable);
- (b) in the case of any other Conversion, the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the date on which Conversion is to occur in accordance with these Terms; or
- (c) otherwise, the period for which VWAP is to be calculated in accordance with these Terms.

Written Off has the meaning given in clause 8.14 and Write Off has a corresponding meaning.

Appendix B – Glossary

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| ABN | Australian Business Number |
| Acquisition Event | <p>broadly, occurs when:</p> <ul style="list-style-type: none"> • a takeover bid is made and certain conditions are satisfied; or • a scheme of arrangement is proposed and approved and certain conditions are satisfied <p>An Acquisition Event does not occur upon the proposed replacement of Bendigo and Adelaide Bank with an Approved NOHC</p> <p>For the full definition – see clause 20.2 of the CPS2 Terms</p> |
| Additional Tier 1 Capital | has the meaning prescribed by APRA in the Prudential Standards |
| ADI | Authorised Deposit-taking Institution, as defined in the Banking Act |
| Administrative Action | means any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to adopt such procedures or regulations) |
| AFSL | Australian Financial Services Licence |
| Allens | Allens – Legal and Tax Counsel to the Issuer |
| Allocation | <p>means the number of CPS2 allocated under this Prospectus to:</p> <ul style="list-style-type: none"> • SPS Holder Applicants, Securityholder Applicants and General Applicants at the end of the Offer Period; and • Syndicate Brokers and Institutional Investors under the Bookbuild |
| Allotment | means the allotment of CPS2 to successful Applicants |
| Annual General Meeting | means the Annual General Meeting of Bendigo and Adelaide Bank |
| ANZ Securities | ANZ Securities Limited (ABN 16 004 997 111, AFSL 237 531) |
| Applicant | means a person who submits an Application in accordance with this Prospectus |
| Application | <p>means a valid application for a specified number of CPS2 made pursuant to either:</p> <ul style="list-style-type: none"> • the applicable Application Form; or • in respect of the Institutional Offer, a duly completed confirmation letter |
| Application Form | <p>means each of the application forms attached to, or accompanying, this Prospectus upon which an Application may be made, being:</p> <ul style="list-style-type: none"> • the yellow paper personalised Reinvestment Application Form; • the pink paper personalised Securityholder Application Form; • the electronic Application Form provided for online Applications under the Bendigo and Adelaide Bank Securityholder Offer and General Offer; or • the white paper Application Form in the back of this Prospectus to be used by Broker Firm Applicants and General Applicants |
| Application Payment | means the monies payable on each Application, calculated as the number of CPS2 applied for multiplied by the Issue Price |
| Approved NOHC | means a NOHC arising as a result of an Approved NOHC Event, being a holding company that replaces, or is proposed to replace, Bendigo and Adelaide Bank as the ultimate holding company of the Bendigo and Adelaide Bank Group and that satisfies the requirements under paragraph (b) of the definition of ‘Acquisition Event’ in clause 20.2 of the CPS2 Terms |

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| Approved NOHC Event | means a NOHC Event in respect of which the proviso to the definition of 'Acquisition Event' set out in paragraph (b) of the definition of 'Acquisition Event' in clause 20.2 of the CPS2 Terms is satisfied For the full definition – see clause 20.2 of the CPS2 Terms |
| Approved NOHC Ordinary Share | means a fully paid ordinary share in the capital of the Approved NOHC |
| APRA | means the Australian Prudential Regulation Authority or any successor body responsible for prudential regulation of Bendigo and Adelaide Bank, the Bendigo and Adelaide Bank Group or any NOHC |
| ASIC | Australian Securities and Investments Commission |
| Arranger | Goldman Sachs |
| Asset and Liability Management Committee | means Bendigo and Adelaide Bank's Asset and Liability Management Committee which is responsible for effectively managing the Bendigo and Adelaide Bank Group's balance sheet to maximise earnings potential within a Board approved risk framework. In doing this the committee considers the capital, interest rate, liquidity and funding risks inherent in the prevailing balance sheet structure |
| ASX | means ASX Limited (ABN 98 008 624 691) or the securities market operated by it, as the context requires |
| Australian Tax Letter or Tax Letter | means the summary of the Australian tax consequences for persons who may become Holders based on Australian income tax law as at the date of the Prospectus contained in Section 7 |
| Bank Bill Rate | means (expressed as a percentage per annum), for a Dividend Period, the average mid-rate for bills of a term of 180 days which is displayed on Thomson Reuters page BBSW (or any page that replaces that page) on the first Business Day of the Dividend Period, subject to certain alternative methods of calculation if there is a manifest error in the calculation of the rate or if the rate is not displayed For the full definition – see the description of 'Bank Bill Rate' in clause 3.1 of the CPS2 Terms |
| Banking Act | <i>Banking Act 1959</i> (Cth) |
| Basel III | the revised framework issued between 2010 and 2012 by the Basel Committee for the calculation of capital adequacy for banks |
| Basel Committee | the Bank of International Settlements' Basel Committee on Banking Supervision |
| Bendigo and Adelaide Bank or the Bank | Bendigo and Adelaide Bank Limited (ABN 11 068 049 178) or Bendigo and Adelaide Bank and its controlled entities, as the case may be. When applicable, references to Bendigo and Adelaide Bank incorporate its predecessors |
| Bendigo and Adelaide Bank Group or the Bank Group | means Bendigo and Adelaide Bank and each entity it controls (in accordance with the definition of 'control' under the Corporations Act) |
| Bendigo and Adelaide Bank Level 1 Group | means Bendigo and Adelaide Bank together with each of its Controlled Entities included by APRA from time to time in the calculation of Bendigo and Adelaide Bank's Prudential Capital Requirement and Level 1 Common Equity Tier 1 Capital Ratio |
| Bendigo and Adelaide Bank Level 2 Group | means Bendigo and Adelaide Bank together with each related entity included by APRA from time to time in the calculation of Bendigo and Adelaide Bank's Prudential Capital Requirement and Level 2 Common Equity Tier 1 Capital Ratio |
| Bendigo Financial Planning | Bendigo Financial Planning Limited, a wholly owned subsidiary of Bendigo and Adelaide Bank |
| Board, Directors or Board of Directors | means some or all of the directors of Bendigo and Adelaide Bank, acting as a board |

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| Board Credit Committee | means a committee of the Bendigo and Adelaide Bank Board. Its purpose is to assist the Board in relation to the oversight of the establishment, implementation, review and monitoring of credit risk management systems and policies, taking into account the risk appetite of the Bank Group, the overall business strategy and management expertise |
| Board Risk Committee | means a committee of the Bendigo and Adelaide Bank Board. Its purpose is to assist the Board in relation to the oversight of risk and includes the establishment, implementation, review and monitoring of risk management systems and policies for the following: <ul style="list-style-type: none"> • balance sheet and off-balance sheet risk; and • operational risk (including regulatory compliance, financial crimes, anti-money laundering and counter-terrorism financing and business continuity) The Board Risk Committee does not have any responsibilities in relation to credit risk or remuneration risk (other than in relation to service providers) |
| Bookbuild | means the process conducted prior to the opening of the Offer whereby certain investors lodged bids for CPS2 and, on the basis of those bids, Bendigo and Adelaide Bank and the Joint Lead Managers to the Offer determined the Margin |
| BPS | Bendigo and Adelaide Bank Preference Shares, being the existing preference shares issued under Rule 3 of the Constitution which are quoted on ASX under the code BENPB |
| BPS Terms | means the full terms of issue of the BPS, as amended from time to time |
| Broker Firm Applicant | means an Australian resident retail client of a Syndicate Broker who applies for a broker firm Allocation from a Syndicate Broker under the Broker Firm Offer Also includes Eligible SPS Holders who apply under the Broker Firm Offer |
| Broker Firm Offer | means the invitation made to clients of Syndicate Brokers to apply for an allocation of CPS2 from Syndicate Brokers under this Prospectus |
| Business Day | a business day as defined in the Listing Rules |
| Capital Notes | means Bendigo and Adelaide Bank Unsecured Perpetual Floating Rate Subordinated Notes issued under a prospectus dated 13 July 1998, which are quoted on ASX under the code BENHB |
| Capital Trigger Conversion Date | means a date on which the CPS2, or the relevant number of CPS2 will Convert, or be treated as having been Converted, on the occurrence of a Capital Trigger Event For the full definition – see clause 5.3(b) of the CPS2 Terms |
| Capital Trigger Event | occurs when Bendigo and Adelaide Bank determines or APRA notifies Bendigo and Adelaide Bank in writing that it believes that either or both of Bendigo and Adelaide Bank's Level 1 Common Equity Tier 1 Capital Ratio or Level 2 Common Equity Tier 1 Capital Ratio is equal to or less than 5.125% See clause 5.2(a) of the CPS2 Terms |
| Capital Trigger Event Notice | has the meaning given in clause 5.4(b) of the CPS2 Terms |
| CGT | capital gains tax |
| Chairman | being the chairman of the Board |
| Change of Control Event | broadly, occurs when an Acquisition Event occurs and certain further approvals or conditions needed for the acquisition to occur or be implemented have been obtained or satisfied or waived For the full definition – see clause 20.2 of the CPS2 Terms |
| Change of Control Conversion Date | means the date on which Conversion as a result of a Change of Control Event is to occur, as discussed in Section 2.7 For the full definition – see clause 7.3(b) of the CPS2 Terms |

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| Change of Control Conversion Notice | has the meaning given in clause 7.2 of the CPS2 Terms |
| Change of Law | means: <ul style="list-style-type: none"> • any amendment to, clarification of, or change (including any announcement of a change that is to be introduced), in the laws or treaties or any regulations of Australia or any political subdivision or taxing authority of Australia affecting taxation; • any Administrative Action; • any amendment to, clarification of, or change in an Administrative Action that provides for a position that differs from the current generally accepted position; or • a challenge by the Australian Taxation Office in relation to (or in connection with) CPS2 which is asserted or threatened in writing, which amendment or change is announced or which action or clarification or challenge occurs on or after the Issue Date and which Bendigo and Adelaide Bank did not expect as at the Issue Date |
| CHES | means Clearing House Electronic Subregister System operated by ASX Settlement Pty Ltd (ABN 49 008 504 532) |
| Closing Date | means the last day on which Applications will be accepted, which is expected to be: <ul style="list-style-type: none"> • 5:00pm on Friday, 3 October 2014 for the Reinvestment Offer, Securityholder Offer and General Offer; or • 10:00am on Thursday, 9 October 2014 for the Broker Firm Offer (excluding applications in respect of Reinvested SPS); or • 5:00pm on Friday, 3 October 2014 for the Broker Firm Offer (applications in respect of Reinvested SPS) |
| Co-Managers | JBWere Limited (ABN 68 137 978 360, AFSL 341 162) and Bell Potter Securities Limited (ABN 25 006 390 772, AFSL 243 480) |
| Common Equity Tier 1 Capital | has the meaning prescribed by APRA from time to time |
| Common Equity Tier 1 Capital Ratio | means the ratio of Common Equity Tier 1 Capital to risk weighted assets of Bendigo and Adelaide Bank Level 1 or Level 2 Groups (as applicable) as prescribed by APRA from time to time |
| Community Bank® | Community Bank® branches engage and involve communities in securing access to branch banking services. Essentially, a local publicly owned company invests in the right to operate a Bendigo and Adelaide Bank branch. Bendigo and Adelaide Bank supplies all banking and back office services while the community company operates the retail outlet. Revenue is shared, enabling communities to profit from their own banking and channel those profits back into community enterprise and development |
| Consenting Party | each of the consenting parties named in Section 8.7 |
| Constitution | the constitution of Bendigo and Adelaide Bank, as amended from time to time |
| Controlled Entity | means, in respect of Bendigo and Adelaide Bank, an entity Bendigo and Adelaide Bank controls (as that term is defined in the Corporations Act) |
| Conversion | means, in relation to a CPS2 and subject to amendment in accordance with the CPS2 Terms, the conversion of that CPS2 into a variable number of Ordinary Shares, or ordinary shares of an Approved NOHC following an Approved NOHC Event, and the issue of additional Ordinary Shares in respect of that CPS2 in accordance with clause 8 of the CPS2 Terms Convert, Converted and Converting have corresponding meanings For a full description of the Conversion mechanics – see clause 8 of the CPS2 Terms |
| Conversion Number | means the number calculated using the formula described in clause 8.1(b) of the CPS2 Terms |

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| Corporations Act | <i>Corporations Act 2001</i> (Cth) |
| CPS | Bendigo and Adelaide Bank Convertible Preference Shares, being the existing convertible preference shares issued under Rule 3 of the Constitution which are quoted on ASX under the code BENPD |
| CPS2 | Convertible Preference Shares 2, being the preference shares outlined in clause 1.1 of the CPS2 Terms |
| CPS2 Terms | means the full terms of issue of CPS2, as set out in Appendix A |
| CRN | Customer Reference Number |
| Delisting Event | <p>means, in respect of a date, that:</p> <ul style="list-style-type: none"> • Bendigo and Adelaide Bank has ceased to be listed or Ordinary Shares have ceased to be quoted on ASX on or before that date (and where cessation occurred before that date, Bendigo and Adelaide Bank or the Ordinary Shares continue not to be listed or quoted (as applicable) on that date); or • trading of Ordinary Shares on ASX has been suspended for at least five consecutive Business Days before that date, and the suspension is continuing on that date; or • an Inability Event subsists. <p>See clause 20.2 of the CPS2 Terms</p> |
| Directors | means some or all of the directors of Bendigo and Adelaide Bank |
| Dividend | <p>a dividend on CPS2</p> <p>For the full definition – see clause 3.1 of the CPS2 Terms</p> |
| Dividend Payment Date | <p>means, in respect of a CPS2, on the following dates:</p> <ul style="list-style-type: none"> • each 30 November and 30 May commencing on 30 November 2014 until (but not including) the date on which the CPS2 is Exchanged in accordance with the CPS2 Terms; and • each date on which a Conversion, Resale or Redemption (subject to certain restrictions) occurs, <p>until the date on which CPS2 are Redeemed or Converted</p> <p>For the full definition – see clause 3.5 of the CPS2 Terms</p> |
| Dividend Payment Tests | <p>means the tests which need to be satisfied before Bendigo and Adelaide Bank will pay a Dividend, being:</p> <ul style="list-style-type: none"> • the Directors, at their absolute discretion, resolving to pay the Dividend on the relevant Dividend Payment Date; • the payment of the Dividend not resulting in a breach of Bendigo and Adelaide Bank’s Prudential Capital Requirements (on a Level 1 basis) or of Bendigo and Adelaide Bank Group’s Prudential Capital Requirements (on a Level 2 basis) under the then current Prudential Standards as they apply to Bendigo and Adelaide Bank and/or the Bank Group at the time of the payment; • paying the Dividend not resulting in Bendigo and Adelaide Bank becoming, or being likely to become, insolvent for the purposes of the Corporations Act; and • APRA not otherwise objecting to the Dividend being paid on the Dividend Payment Date <p>See clause 3.3 of the CPS2 Terms</p> |
| Dividend Period | <p>means in respect of:</p> <ul style="list-style-type: none"> • the first Dividend Period, the period from (and including) the Issue Date until (but not including) the first Dividend Payment Date following the Issue Date; and • each subsequent Dividend Period, the period from (and including) the preceding Dividend Payment Date until (but not including) the next Dividend Payment Date |

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| Dividend Rate | <p>means the dividend rate on CPS2 calculated using the formula described in Section 2.3</p> <p>For the full definition – see clause 3.1 of the CPS2 Terms</p> |
| Dividend Restriction | <p>means the restriction which applies to Bendigo and Adelaide Bank if for any reason a scheduled Dividend has not been paid in full on a relevant Dividend Payment Date. Bendigo and Adelaide Bank must not, subject to certain exceptions, without approval of a Special Resolution, until and including the next Dividend Payment Date:</p> <ul style="list-style-type: none"> • declare or pay a dividend on Ordinary Shares; or • buy-back or reduce capital on Ordinary Shares, <p>unless the Dividend is paid in full within three Business Days of the relevant Dividend Payment Date</p> <p>See clause 3.7 of the CPS2 Terms</p> |
| Eligible Securityholder | <p>means a holder of an Ordinary Share, BPS, CPS or Capital Note on the relevant register at 7:00pm on 2 September 2014 with a registered address in Australia</p> |
| Eligible SPS Holder | <p>means a registered holder of an SPS on the register at 7:00pm on 2 September 2014 shown on the SPS register as having an address in Australia and not in the United States or acting as a nominee for a person in the United States or any such other SPS holder as Bendigo and Adelaide Bank may determine in its discretion</p> |
| Equal Ranking Instruments | <p>means:</p> <ul style="list-style-type: none"> • in respect of Dividends, any preference share or other instrument issued by Bendigo and Adelaide Bank which ranks equally with CPS2 in respect of payment of Dividends; and • in respect of winding-up, any preference share or other instrument issued by Bendigo and Adelaide Bank which ranks equally with CPS2 for a return of capital in the winding-up of Bendigo and Adelaide Bank, <p>including in each case CPS2</p> <p>The preference shares include:</p> <ul style="list-style-type: none"> • the existing preference shares issued under Rule 3 of the Constitution which are quoted on ASX under the codes BENPB, BENPC and BENPD respectively; and • each other preference share that Bendigo and Adelaide Bank may issue that ranks or is expressed to rank equally with the foregoing and the abovementioned preference shares in respect of dividend or for payment in a winding-up of Bendigo and Adelaide Bank (as the case may be) |
| Ernst & Young | Ernst & Young |
| Evans & Partners | Evans and Partners Pty Ltd (ABN 85 125 338 785, AFSL 318 075) |
| Exchange | <p>means:</p> <ul style="list-style-type: none"> • Conversion in accordance with and subject to clause 8 of the CPS2 Terms; • Redemption in accordance with and subject to clause 9 of the CPS2 Terms; • Resale in accordance with clause 10 of the CPS2 Terms; or • a combination of two or more of Conversion, Redemption or Resale in accordance with clause 6.3 of the CPS2 Terms <p>Exchanged has a corresponding meaning</p> |
| Exchange Date | <p>means the date on which the Exchange is to occur</p> <p>For the full definition – see clause 6.2(b) of the CPS2 Terms</p> |
| Exchange Method | <p>means the means by which the Exchange is effected, whether by Conversion, Redemption or Resale</p> <p>For the full definition – see clause 6.3 of the CPS2 Terms</p> |

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| Exchange Notice | <p>means a notice issued by Bendigo and Adelaide Bank to a Holder electing to Exchange:</p> <ul style="list-style-type: none"> • all or some CPS2 on an Exchange Date following the occurrence of a Tax Event or a Regulatory Event; • all (but not some only) CPS2 on an Exchange Date following the occurrence of an Acquisition Event; or • all or some CPS2 on the Optional Exchange Date <p>See clause 6.1 of the CPS2 Terms</p> |
| Executive Credit Committee | means The Executive Credit Committee of Bendigo and Adelaide Bank |
| Expiry Date | means the date which is 13 months after the date of the Original Prospectus |
| Exposure Period | means the seven day period after the date the Original Prospectus was lodged with ASIC during which the Corporations Act prohibits the processing of Applications |
| FATCA | means the Foreign Account Tax Compliance Act provisions, sections 1471 through 1474 of the United States Internal Revenue Code (including any regulations or official interpretations issued, agreements entered into or non-US laws enacted with respect to those provisions) |
| Financial Claims Scheme | means the scheme established under Division 2AA of Part II of the Banking Act |
| First Mandatory Conversion Condition | <p>the VWAP on the 25th Business Day immediately preceding (but not including) the relevant Mandatory Conversion Date (or, if trading in Ordinary Shares did not occur on that date, the last Business Day prior to that date on which trading in Ordinary Shares occurred) is greater than 55% of the Issue Date VWAP, as set out in clause 4.3(a) of the CPS2 Terms</p> <p>See Section 2.5.6 of the Prospectus or clause 4.3 of the CPS2 Terms</p> |
| First Optional Conversion Restriction | <p>on the second Business Day before the date on which an Exchange Notice is expected to be sent by the Bendigo and Adelaide Bank (or, if trading in Ordinary Shares did not occur on that date, the last Business Day prior to that date on which trading in Ordinary Shares occurred), the VWAP on that date is less than or equal to the 22% of the Issue Date VWAP</p> <p>See Section 2.4.6 of the Prospectus or clause 6.5(a) of the CPS2 Terms</p> |
| General Applicant | means a member of the general public who is an Australian resident and who applies under the General Offer |
| General Offer | means the invitation to the general public to apply for CPS2 under this Prospectus |
| GFC | global financial crisis |
| GST | goods and services tax |
| Goldman Sachs | Goldman Sachs Australia Pty Ltd (ABN 21 006 797 897, AFSL 243 346) |
| HIN | Holder Identification Number for Ordinary Shares or CPS2 (when issued) held on the CHESS subregister |
| Holding Statement | means a statement issued to Holders by the Registry which sets out details of CPS2 allotted to them under the Offer |
| Holder | means a person registered in the Register as a holder of CPS2 |
| Inability Event | means Bendigo and Adelaide Bank is prevented by applicable law or order of any court or action of any government authority (including regarding the insolvency, winding-up or other external administration of Bendigo and Adelaide Bank) or any other reason from Converting the CPS2 |

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| Institutional Investor | means a sophisticated or professional investor (whether an Australian resident or not) to whom CPS2 are able to be offered under applicable laws without the need for any prospectus, registration or other formality (other than a registration or formality which Bendigo and Adelaide Bank is willing to comply with) including, in Australia, persons to whom offers of securities can be made without the need for a lodged prospectus, who have been invited by the Joint Lead Managers to bid for CPS2 in the Bookbuild and who are not Securityholder Applicants, General Applicants or Broker Firm Applicants, provided that such investor may not be in the United States |
| Institutional Offer | means the invitation by the Joint Lead Managers to certain Institutional Investors to bid for CPS2 in the Bookbuild |
| Issue Date | means the date CPS2 are issued to Holders under this Prospectus, expected to be 10 October 2014 |
| Issue Date VWAP | means the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the first date on which CPS2 were issued, as adjusted in accordance with clauses 8.4 to 8.7 (inclusive) of the CPS2 Terms |
| Issue Price | the issue price for CPS2, being \$100 per CPS2 |
| Issuer | Bendigo and Adelaide Bank Limited (ABN 11 068 049 178) |
| Joint Lead Managers | Goldman Sachs, ANZ Securities, Evans & Partners, Morgan Stanley |
| Level 1 and Level 2 | has the meaning prescribed by APRA from time to time |
| Leveraged Equities | Leveraged Equities Limited, a wholly owned subsidiary of Bendigo and Adelaide Bank |
| Liquidation Sum | means an amount out of surplus assets equal to \$100 plus the amount of any Dividend determined to be paid but unpaid, subject to the operation of clause 8.14 of the CPS2 Terms which concerns Write-Off |
| Listing Rules | means the listing rules of ASX, with any modification or waivers which ASX may grant to Bendigo and Adelaide Bank or generally from time to time |
| Mandatory Conversion | means the mandatory conversion of CPS2 to Ordinary Shares on the Mandatory Conversion Date See clause 4 of the CPS2 Terms |
| Mandatory Conversion Conditions | the First Mandatory Conversion Condition, the Second Mandatory Conversion Condition and the Third Mandatory Conversion Condition |
| Mandatory Conversion Date | means the first of the following dates: <ul style="list-style-type: none"> • 30 November 2022; and • a Dividend Payment Date after 30 November 2022, on which the Mandatory Conversion Conditions are satisfied |
| Margin | means the margin payable on CPS2, being 3.20% per annum |
| Maximum Conversion Number | means the number calculated using the formula described in clause 8.1(b) of the CPS2 Terms |
| Morgan Stanley | Morgan Stanley Australia Securities Limited (ABN 55 078 652 276, AFSL 233741) |
| NOHC | a 'non-operating holding company' within the meaning of the Banking Act |
| NOHC Event | means an event which: <ul style="list-style-type: none"> • is initiated by the Directors, acting as a Board; and • would otherwise be an Acquisition Event, but the result of which would be that the person who would be the ultimate holding company of Bendigo and Adelaide Bank would be a NOHC See clause 20.2 of the CPS2 Terms |

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| Nominated Purchaser | means, subject to certain conditions, one or more third parties selected by Bendigo and Adelaide Bank in its absolute discretion |
| Non-Conversion Test Date | means the second Business Day before the date on which an Exchange Notice is expected to be sent by Bendigo and Adelaide Bank (or, if trading in Ordinary Shares did not occur on that date, the last Business Day prior to that date on which trading in Ordinary Shares occurred) |
| Non-Viability Conversion Date | means a date on which the CPS2, or a relevant number of CPS2 will Convert, or be treated as having been Converted, on the occurrence of a Non-Viability Trigger Event |
| Non-Viability Trigger Event | occurs when APRA notifies Bendigo and Adelaide Bank in writing that: <ul style="list-style-type: none"> • conversion or write-off of Relevant Preference Securities is necessary because, without it, APRA considers that Bendigo and Adelaide Bank would become non-viable; or • it has determined that Bendigo and Adelaide Bank would become non-viable without a public sector injection of capital into, or equivalent capital support with respect to, Bendigo and Adelaide Bank |
| Non-Viability Trigger Event Notice | has the meaning given in clause 5.4(a) of the CPS2 Terms |
| Offer | means the offer by Bendigo and Adelaide Bank of CPS2 under this Prospectus to raise \$250 million with the ability to raise more or less and consists of the Reinvestment Offer, Securityholder Offer, Broker Firm Offer, Institutional Offer and General Offer |
| Offer Management Agreement or OMA | means the offer management agreement entered into between Bendigo and Adelaide Bank and the Joint Lead Managers as summarised in Section 8.6 |
| Offer Period | means the period from the Opening Date to the Closing Date |
| Opening Date | means the day the Offer opens, which is 11 September 2014 |
| Optional Conversion Restrictions | the First Optional Conversion Restriction and the Second Optional Conversion Restriction |
| Optional Exchange | refers to the Exchange of CPS2 at the option of Bendigo and Adelaide Bank For the full description – see clause 6 of the CPS2 Terms |
| Optional Exchange Date | 30 November 2020 |
| Ordinary Share | means a fully paid ordinary share in the capital of Bendigo and Adelaide Bank |
| Original Prospectus | the prospectus dated 3 September 2014 and lodged with ASIC on that date, which this Prospectus replaces |
| Participating Broker | means any participating organisation of ASX selected by the Joint Lead Managers to participate in the Bookbuild |
| Privacy Act | <i>Privacy Act 1988</i> (Cth) |
| Prospectus | this document (including the electronic form of this Prospectus), and any supplementary or replacement prospectus in relation to this document |
| Protected Account | means such accounts as are identified as such from time to time under the Australian Government's Financial Claims Scheme (see http://www.guaranteescheme.gov.au/qa/deposits.html#3) |
| Prudential Capital Requirement | means such ratio or ratios as prescribed by APRA from time to time |
| Prudential Standards | means the prudential standards and guidelines published by APRA and applicable to Bendigo and Adelaide Bank or the Bendigo and Adelaide Bank Group from time to time, which define and document APRA's framework for assessing, among other things, the capital adequacy of an ADI |
| RBA | Reserve Bank of Australia |

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| Redeem | <p>means, in relation to a CPS2 and subject to amendment in accordance with the CPS2 Terms, redeem, buy-back (other than an on-market buy-back within the meaning of the Corporations Act) or reduce capital, or any combination of such activities, in connection with that CPS2 in accordance with clause 9 of the CPS2 Terms</p> <p>Redeemed and Redemption have corresponding meanings</p> <p>For a full description of the Redemption mechanics – see clause 9 of the CPS2 Terms</p> |
| Register | means the official register of Ordinary Shares and/or CPS2 (if issued) as the context requires, each being maintained by the Registry on Bendigo and Adelaide Bank’s behalf and including any subregister established and maintained in CHESS |
| Registry | Computershare Investor Services Pty Limited (ABN 48 078 279 277) or any other registry that Bendigo and Adelaide Bank appoints to maintain the Register |
| Regulatory Event | <p>means:</p> <ul style="list-style-type: none"> the receipt by the Directors of an opinion from a reputable legal counsel that, as a result of any amendment to, clarification of or change (including any announcement of a change that is to be introduced) in any law or regulation or any official administrative pronouncement or action (including any prudential standard, limit or other restriction) 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 (and which Bendigo and Adelaide Bank does not expect, as at the Issue Date, may come into effect), additional requirements would be imposed on Bendigo and Adelaide Bank in relation to or in connection with CPS2 which the Directors determine, in their absolute discretion, to be unacceptable; or as a consequence of any amendment to, clarification of or change (including any announcement of a change that is to be introduced) in any law or regulation or any official administrative pronouncement, or action (including any prudential standard, limit or other restriction) 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 (and which the Issuer does not expect, as at the Issue Date, may come into effect), the Directors determine that Bendigo and Adelaide Bank is not or will not be entitled to treat some or all CPS2 as Additional Tier 1 Capital |
| Reinvested SPS | means those SPS that an Eligible SPS Holder elects to be reinvested in CPS2, under the terms of the Reinvestment Offer |
| Reinvestment Application Form | means the personalised yellow paper application form made available to Eligible SPS Holders upon request |
| Reinvestment Offer | means the invitation to Eligible SPS Holders to reinvest their SPS in CPS2 or to apply for additional CPS2 under this Prospectus |
| Related Entity | has the meaning given by APRA from time to time |
| Relevant Dividend Payment Date | means the Dividend Payment Date on which a Dividend has not been paid in full |
| Relevant Preference Security | <p>means a subordinated instrument (other than an Ordinary Share) issued by Bendigo and Adelaide Bank or another member of the Bendigo and Adelaide Bank Group with no fixed maturity date which:</p> <ul style="list-style-type: none"> in accordance with its terms or by operation of law, is capable of being converted into Ordinary Shares or Written Off where APRA makes a determination that a Non-Viability Trigger Event has occurred or APRA notifies Bendigo and Adelaide Bank, or Bendigo and Adelaide Bank itself determines, that a Capital Trigger Event has occurred; and constitutes Additional Tier 1 Capital of the Bendigo and Adelaide Bank and/or the Bendigo and Adelaide Group as at the date of its issue or thereafter. |

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| Resale | <p>means, in relation to a CPS2 and subject to amendment in accordance with the CPS2 Terms, the taking effect of the rights specified in clause 10 of the CPS2 Terms in relation to that CPS2</p> <p>Resell and Resold have corresponding meanings</p> <p>For a full description of the Resale mechanics – see clause 10 of the CPS2 Terms</p> |
| Resale Price | means \$100 per CPS2, being the Issue Price of CPS2 |
| RFC | Rural Finance Corporation of Victoria (ABN 33 942 306 027) |
| Rural Bank | means a wholly owned subsidiary of Bendigo and Adelaide Bank. Formerly Elders Rural Bank and formed in 1999, it was initially a joint venture between Bendigo and Adelaide Bank and Elders Limited |
| Sandhurst Trustees | means Sandhurst Trustees Limited, a wholly owned subsidiary of Bendigo and Adelaide Bank |
| Scheduled Mandatory Conversion Date | 30 November 2022 |
| Second Mandatory Conversion Condition | <p>the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the relevant Mandatory Conversion Date is greater than 50.51% of the Issue Date VWAP, as set out in clause 4.3(b) of the CPS2 Terms</p> <p>See Section 2.5.6 of the Prospectus or clause 4.3 of the CPS2 Terms</p> |
| Second Optional Conversion Restriction | <p>where a Delisting Event applies in respect of the second Business Day before the date on which an Exchange Notice is expected to be sent by the Bendigo and Adelaide Bank (or, if trading in Ordinary Shares did not occur on that date, the last Business Day prior to that date on which trading in Ordinary Shares occurred)</p> <p>See Section 2.4.6 of the Prospectus or clause 6.5(b) of the CPS2 Terms</p> |
| Securityholder Applicant | means an Eligible Securityholder who is an Australian resident and who applies under the Securityholder Offer |
| Securityholder Application Form | means the personalised pink paper application form made available to Eligible Securityholder Applicants upon request |
| Securityholder Offer | means the invitation to Eligible Securityholders to apply for CPS2 under this Prospectus |
| Shareholder | means a holder of Ordinary Shares from time to time |
| Special Resolution | means a resolution passed at a meeting of Holders by a majority of at least 75% of the votes validly cast by Holders in person or by proxy and entitled to vote on the resolution |
| SPS | means Bendigo and Adelaide Bank Step Up Preference Shares, the existing preference shares issued under Rule 3 of the Constitution which are quoted on ASX under the code BENPC |
| SPS Dividend | means a dividend on SPS |
| SPS Exchange Notice | means a notice provided in accordance with the SPS Terms under which Bendigo and Adelaide Bank can elect to convert or redeem SPS |
| SPS Holder Applicant | means an Eligible SPS Holder who applies under the Reinvestment Offer |
| SPS Terms | means the full terms of issue of the SPS, as amended from time to time |
| SRN | means Securityholder Reference Number for Ordinary Shares or CPS2 (when issued) held on the Bendigo and Adelaide Bank sponsored subregister |
| Step Up Date | the step up date for SPS, being 10 October 2014 |
| Syndicate Broker | means any of the Joint Lead Managers, Co-Managers or Participating Brokers |

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| Tax Act | <p>means:</p> <ul style="list-style-type: none"> the <i>Income Tax Assessment Act 1936</i> (Cth) or the <i>Income Tax Assessment Act 1997</i> (Cth) as the case may be and a reference to any Section of the <i>Income Tax Assessment Act 1936</i> (Cth) includes a reference to that Section as rewritten in the <i>Income Tax Assessment Act 1997</i> (Cth); and any other Act setting the rate of income tax payable and any regulation promulgated under it |
| Tax Event | <p>broadly, occurs when Bendigo and Adelaide Bank determines, after receiving advice from a reputable legal counsel or other tax adviser in Australia experienced in such matters, that as a result of a Change of Law (which Bendigo and Adelaide Bank did not expect at the time of issue of CPS2), there is a more than insubstantial risk which the Directors determine to be unacceptable that:</p> <ul style="list-style-type: none"> any Dividend would not be a frankable dividend or distribution within the meaning of Division 202 of the Tax Act; Bendigo and Adelaide Bank would be exposed to more than a de minimis increase in its costs (including without limitation through the imposition of any taxes, duties, assessments or other charges) in relation to CPS2; or if a NOHC Event has occurred, the CPS2 would not be disregarded, or would cease to be disregarded, in accordance with Section 703-37 of the Tax Act <p>For the full definition – see clause 20.2 of the CPS2 Terms</p> |
| Tax Rate | <p>means the Australian corporate tax rate applicable to the franking account of Bendigo and Adelaide Bank as at the relevant Dividend Payment Date</p> <p>As at the date of this Prospectus, the relevant rate is 30%</p> |
| TFN | Tax File Number |
| Third Mandatory Conversion Condition | <p>no Delisting Event applies in respect of the relevant Mandatory Conversion Date</p> <p>See Section 2.5.6 of the Prospectus or clause 4.3 of the CPS2 Terms</p> |
| Tier 1 Capital | means tier 1 capital of ADIs (including Bendigo and Adelaide Bank) as prescribed by APRA from time to time |
| Tier 1 Capital Deductions | means the deductions from Tier 1 Capital as prescribed by APRA from time to time |
| Tier 2 Capital | means tier 2 capital of ADIs (including Bendigo and Adelaide Bank) as prescribed by APRA from time to time |
| US Person | has the meaning given in Regulation S of the US Securities Act |
| US Securities Act | United States Securities Act of 1933, as amended |
| VWAP | means, subject to any adjustments under clause 8 of the CPS2 Terms, the average of the daily volume weighted average sale prices (such average being 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 'Crossing' transacted outside the 'Open Session State' or any 'Special Crossing' transacted at any time, each as defined in the ASX Operating Rules, or any overseas trades or trades pursuant to the exercise of options over Ordinary Shares |

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| VWAP Period | <p>means:</p> <ul style="list-style-type: none"> • in the case of a Conversion resulting from an Acquisition Event or a Change of Control Event, the lesser of: <ul style="list-style-type: none"> – 20 Business Days on which trading in Ordinary Shares takes place; and – the number of Business Days on which trading in Ordinary Shares takes place that the Ordinary Shares are quoted for trading on ASX after the occurrence of the Acquisition Event or Change of Control Event (as the case may be); <p>in each case immediately preceding (but not including) the Business Day before the Exchange Date or Change of Control Conversion Date in respect of that event (as the case may be);</p> • in the case of a Conversion resulting from a Capital Trigger Event or a Non-Viability Trigger Event, the period of five Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Capital Trigger Conversion Date or the Non-Viability Conversion Date (as applicable); • in the case of any other Conversion, the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the date on which Conversion is to occur in accordance with the CPS2 Terms; or • otherwise, the period for which VWAP is to be calculated in accordance with the CPS2 Terms |
| Written Off or Write-Off | <p>has the meaning described in Section 2.6.7</p> <p>For the full definition, see clause 8.14 of the CPS2 Terms</p> |

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Bendigo and Adelaide Bank

Bendigo and Adelaide Bank Limited
ABN 11 068 049 178 AFSL. No. 237879

Need assistance?

Phone the CPS2 Information Line on 1300 722 018 or +61 3 9415 4814 (Monday to Friday 9.00am to 5.00pm Melbourne time)

General Applicants, please return completed form to:

Mail Bendigo and Adelaide Bank CPS2 Offer
c/o Computershare Investor Services
GPO Box 52 Melbourne Victoria 3001
Australia

Broker Firm Applicants should contact their Syndicate Broker for information about how and when to lodge this Application Form

Broker Firm and General Offer Application Form

IMPORTANT

General Offer closes 5.00pm (Melbourne time) Friday, 3 October 2014*

Broker Firm Offer closes 10.00am (Melbourne time) Thursday, 9 October 2014*

This Application Form relates to the Broker Firm Offer and General Offer by Bendigo and Adelaide Bank of CPS2 made under the prospectus (**Prospectus**) dated 11 September 2014. To meet the requirements of the Corporations Act 2001 (Cth), this Application Form must not be distributed unless included in, or accompanied by, the Prospectus.

This Application Form should be read in conjunction with the Prospectus. Capitalised words and certain terms used in this Application Form have the meanings given to them in the Prospectus. This Application Form is important. **If you are in any doubt as to how to deal with it, please contact your stockbroker or other professional adviser without delay.** The Prospectus contains information relevant to a decision about investing in CPS2. You should read the Prospectus carefully before completing this Application Form and applying for CPS2.

STEP 1 Apply for CPS2

Insert the number of CPS2 you wish to apply for and the application amount to be paid (number of CPS2 x Issue Price (A\$100)). The application must be for a minimum of 50 CPS2 (A\$5,000) and thereafter in multiples of 10 CPS2 (A\$1,000). You may be issued all of the CPS2 applied for or a lesser number or none at all.

STEP 2 Provide your Details

Individual / Joint Applications: This must be your full name or the name of a company. Up to 3 joint applicants can register. Refer to the "Correct Forms of Registrable Titles" overleaf as applications using the wrong form may be rejected.

Postal Address: This will be used for all correspondence.

Contact Details: These are not compulsory but will assist us if we need to contact you.

Broker Firm Offer: If you are a client of a Syndicate Broker and have been contacted by them regarding the CPS2 Broker Firm Offer, you should contact your Syndicate Broker for information about how and when to lodge this Application Form. Generally, you will lodge this Application Form with your Syndicate Broker in accordance with their instructions. If you have been offered a firm allocation by a Syndicate Broker, you must return this form directly to that broker in accordance with their instructions.

Acceptance of the Offer

By returning this Application Form with your Application Payment to the Registry by 5.00pm (Melbourne time) on Friday, 3 October 2014*, or to your Syndicate Broker in accordance with their instructions:

- you represent and warrant that you have read and understood the Prospectus and accompanying Application Form in full;
- you represent and warrant that all details and statements on your Application Form are complete and accurate;
- you acknowledge that you understand the CPS2 Terms and have had the opportunity to consider the suitability of an investment in CPS2 with your professional advisers;
- you declare that each Applicant (if a natural person) is at least 18 years old;
- you declare that you are not in the United States or other place outside Australia or a U.S. Person, nor acting for the account or benefit of any U.S. Person;
- you declare that you are resident in Australia;
- you represent and warrant that the laws of any other place do not prohibit you from being given the Prospectus or any supplementary or replacement Prospectus or making an application on the Application Form or being issued with CPS2;
- you provide authorisation to be registered as the holder of CPS2 issued to you, to become a member of Bendigo and Adelaide Bank, and agree to be bound by the Prospectus, the Constitution and the CPS2 Terms;
- you apply for the number of CPS2 set out or determined in accordance with the Application Form and agree to be allocated that number of CPS2 or a lesser number or none at all;

STEP 3 CHESSE Holdings Only

If you are a CHESSE participant (or are sponsored by a CHESSE participant) and you wish to hold CPS2 issued to you under this application on the CHESSE subregister, enter your CHESSE Holder Identification Number (**HIN**). Otherwise leave Step 3 blank and on issue you will be sponsored by Bendigo and Adelaide Bank and allocated a Securityholder Reference Number (**SRN**). Note: if your name and address details do not correspond with the details held at CHESSE, your application will be deemed to be submitted without the CHESSE HIN and any CPS2 issued will be held on the issuer sponsored subregister.

Bendigo and Adelaide Bank will not be issuing certificates in respect of CPS2 issued.

STEP 4 Make your Payment

Make your cheque or money order payable to "Bendigo and Adelaide Bank CPS2 Offer" and crossed "Not Negotiable". The total amount must match the amount shown in Step 1. Complete the cheque details in the boxes provided. Paperclip (do not staple) your payment to the Application Form for return. Payments will be processed on the day of receipt and as such sufficient cleared funds must be held in your account as cheques returned unpaid will not be re-presented and may result in your application being rejected. Cash will not be accepted and receipts for payment will not be forwarded.

If you wish to pay by BPAY®, you cannot use this Application Form. To pay by BPAY, log onto www.BendigoCPS2offer.com.au and complete your online General Offer Application Form. Do not return this Application Form if you are paying by BPAY.

- you acknowledge that CPS2 are not deposit liabilities of Bendigo and Adelaide Bank, are not protected accounts for the purposes of the Banking Act and are not guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction, give Holders no claim on Bendigo and Adelaide Bank except as provided in the CPS2 Terms, and that the investment performance of CPS2 is not guaranteed by Bendigo and Adelaide Bank;
- you acknowledge that, in some circumstances, Bendigo and Adelaide Bank may not pay Dividends or any other amount payable on the CPS2;
- you authorise Bendigo and Adelaide Bank and the Joint Lead Managers to do anything on your behalf necessary for CPS2 to be allocated to you;
- you acknowledge that the information contained in the Prospectus is not investment advice or a recommendation that CPS2 are suitable for you, given your investment objectives, financial situation or particular needs;
- you acknowledge that your Application to acquire CPS2 is irrevocable and may not be varied or withdrawn except as allowed by law;
- you acknowledge that an Application may be rejected without giving any reason, including where the Application Form is not properly completed or where a cheque submitted with the Application Form is dishonoured or for the wrong amount; and
- you acknowledge that if you are not issued CPS2 or issued fewer CPS2 than the number you applied and paid for as a result of the scale back, all or some of your Application Payment (as applicable) will be refunded to you (without interest) as soon as practicable after the Issue Date.

Applications must be received by no later than 5.00pm (Melbourne time) on Friday, 3 October 2014* for the General Offer. If you are returning your Application Form by post, to ensure you allow sufficient time, please confirm at your local post office for delivery times between specific points, as local conditions can affect normal standards. If you are a client of a Syndicate Broker, you should contact them for information about how and when to lodge this Application Form. The Broker Firm Offer closes at 10.00am (Melbourne time) on Thursday, 9 October 2014*.

* These dates are indicative only. Bendigo and Adelaide Bank reserves the right to change them without prior notice. You are encouraged to lodge your application as soon as possible.

Broker Firm and General Offer Application Form

Are you an Australian resident who is an existing retail customer of Bendigo and Adelaide Bank or an Australian resident who is an existing director or shareholder of a Community Bank company? (tick the box if yes)

STEP 1 Apply for CPS2

Number of CPS2 applied for:

Issue Price per CPS2

at **A\$100**

Application Payment:

A\$

You may be issued all of the CPS2 applied for or a lesser number or none at all. The application must be for a minimum of 50 CPS2 (A\$5,000). Applications for a greater number must be in multiples of 10 CPS2 (A\$1,000).

Correct Forms of Registrable Titles

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 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 or completed as described in the correct forms of registrable title(s) below.

| 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 |
| Partnerships - Use partners personal name(s) - Do not use the name of the partnership | Mr John Smith & Mr Michael Smith <John Smith & Son A/C> | John Smith & Son |
| Clubs/Unincorporated Bodies/Business Names - Use office bearer(s) personal name(s) - Do not use the name of the club etc | Mrs Janet Smith <ABC Tennis Association A/C> | ABC Tennis Association |
| Superannuation Funds - Use the name of trustee of the fund - Do not use the name of the fund | John Smith Pty Ltd <Super Fund A/C> | John Smith Pty Ltd Superannuation Fund |

STEP 2 Provide your Details

Individual / Joint Applications

Title or Company Name Given Name(s) Surname

Joint Applicant 2 or Account Designation

Joint Applicant 3 or Account Designation

Postal Address

Unit Street Number Street Name or PO Box

Street Name or PO Box (continued)

City/Suburb/Town

State

Postcode

Contact Details

Contact Name

Telephone Number (Business Hours)

STEP 3 CHESS Holdings Only - supply your Holder Identification Number

STEP 4 Make your cheque or money order payable to "Bendigo and Adelaide Bank CPS2 Offer" and crossed "Not Negotiable"

Drawer

Cheque Number

BSB Number

Account Number

A\$

Amount of Payment

Privacy Statement

The personal information you provide on this form is collected by Computershare Investor Services Pty Limited (CIS), as registrar for the securities issuers (the issuer), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. In addition, the issuer may authorise us on their behalf to send you marketing material or include such material in a corporate communication. You may elect not to receive marketing material by contacting CIS using the details provided above or emailing privacy@computershare.com.au. We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to the issuer for whom we maintain securities registers or to third parties upon direction by the issuer where related to the issuers administration of your securityholding, or as otherwise required or authorised by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at privacy@computershare.com.au or see our Privacy Policy at <http://www.computershare.com.au>.

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Corporate Directory

Issuer

Bendigo and Adelaide Bank Limited

The Bendigo Centre
Bendigo VIC 3550

Legal and Tax Adviser

Allens

101 Collins Street
Melbourne VIC 3000

Registry

Computershare Investor Services Pty Limited

452 Johnston Street
Abbotsford VIC 3067

Arranger and Joint Lead Manager

Goldman Sachs Australia Pty Limited

Level 17, 101 Collins Street
Melbourne VIC 3000

Joint Lead Managers

Evans and Partners Pty Ltd

Mayfair Building, 171 Collins Street
Melbourne VIC 3000

Morgan Stanley Australia Securities Limited

Level 39, Chifley Tower
2 Chifley Square
Sydney NSW 2000

ANZ Securities Limited

ANZ Centre Melbourne
Level 9, 833 Collins Street
Docklands VIC 3008

Co-Managers

JBWere Limited

Level 16, 101 Collins Street
Melbourne VIC 3000

Bell Potter Securities Limited

Level 38, Aurora Place
88 Phillip Street
Sydney NSW 2000

How to contact us

CPS2 Information Line on 1300 722 018 (within Australia) or +61 3 9415 4814 (International) between 9:00am and 5:00pm, Monday to Friday

Website

www.BendigoCPS2offer.com.au



Bendigo and
Adelaide Bank

www.bendigoadelaide.com.au