Analysts

Damien Williamson 613 9235 1958

Barry Ziegler 613 9235 1848

Authorisation

TS Lim 612 8224 2810

Bendigo and Adelaide Bank Convertible Preference Shares 3 (BENPF)

Fixed Income

Issue overview

Issuer	BEN
Issue ASX code	BENPF
Face value	$100
Estimated offer size	$200m
Bookbuild margin range	4.00-4.20%
Franking	100%
Dividend payments	Half yearly
First dividend payment	15 Dec 2015
Minimum application	$5,000
Optional exchange	15 Jun 2021
Mandatory conversion	15 Jun 2023

Timeline

Lodgement of prospectus	27 Apr 2015
Bookbuild margin	1 May 2015
Announcement of margin	1 May 2015
Offer opens	5 May 2015
Offer closes:	
Securityholder & general	5 Jun 2015
Reinvestment	5 Jun 2015
Broker firm	12 Jun 2015
Issue date	15 Jun 2015
ASX listing (deferred settlement)	16 Jun 2015

Enhancing income in a world of diminishing yields

BEN's new $200m Convertible Preference Shares 3 (BENPF) has been launched as a Basel III compliant replacement issue for the $90m BEN Preference Shares (BENPB), ahead of its 15 June 2015 step-up date. The Reinvestment offer appears a winner, with the 4.00-4.20% bookbuild range providing a healthy margin uplift on BENPB's current margin of 1.50%. Replacing a step-up pref with one which provides for Mandatory Conversion also provides greater certainty on the receipt of face value at an expected future date (subject to satisfying Mandatory Conversion Conditions).

On most financial metrics, the historically high margins available on bank hybrids appear attractive. Using CBA as a proxy, figure 1 highlights the strengthening of the Australian banking system since 2007. In additional, the Basel III requirements on improving regulatory capital have the potential to reduce the risk profile of the issuers. This is reinforced by the key recommendation of the Murray Report on the Financial System Inquiry being the strengthening of bank capital levels such that they are "unquestionably strong" by being in the top quartile of international banks CET1 ratios.

Figure 1: Bank financial metrics

Metric	Jun 2007	Feb 2012	Apr 2015	Likely trend
CBA Common Equity Tier 1 Capital (CET1)	4.5%	7.7%	9.2%	Potential to further strengthen
CBA Impairment Charge / Gross Loans	0.19%	0.21%	0.14%	Cyclical low
CBA 5 yr Credit Default Swap	0.10%	1.45%	0.57%	
CBA Deposit funding vs total funding	54%	62%	63%	Stable - now at target level
Major Bank 1 yr term deposit rate vs 1 yr swap	-0.44%	1.40%	0.50%	Lower - less competition chasing deposits
5 yr wholesale major bank senior debt margin	0.17%	1.92%	0.77%	
CBA 1 year forward P/E	15.8x	11.1x	16.0x	
10 yr Commonwealth Government Bond	6.1%	3.9%	2.5%	
Major Bank Hybrid New Issue Margin	**1.05%**	**3.25%**	**3.50%**	**Should reflect wholesale funding market**

SOURCE: COMPANY DATA, IRESS, BLOOMBERG, YIELDBROKER, BELL POTTER

Assessed 12 month fair target margin 3.60%

Our 3.60% BENPF assessed fair target margin equates to a 2.70% premium above BEN Sep 2019 senior debt. Key factors which may lead to capital upside (margin compression) include absorbing new hybrid supply, a reduced new issuance pipeline, and investors bidding up high margin hybrid issues in the search for yield.

Figure 2: Trading margins on debt and equity securities

	Ranking	Security	Trading Margin over BBSW	Maturity / Mand Conv	First Call
Higher Ranking	Senior debt	BEN (OTC) senior	90bp	Sep 2019	
↑	Subordinated debt	BEN (OTC) subordinated	195bp	Jan 2024	Jan 2019
	Preference securities	BENPE (Tier 1)	385bp	Nov 2022	Nov 2020
↓		**BENPF (Tier 1)**	**400-420bp**	**Jun 2023**	**Jun 2021**
Lower Ranking	Equity	Ordinary BEN shares	~500bp	Perpetual	

SOURCE: YIELDBROKER, BELL POTTER

Key features

- **Initial gross running yield of 6.30-6.50% (4.41-4.55% fully franked):** Floating rate based on 180BBSW of 2.30% + 4.00-4.20% bookbuild margin.
- **Option to redeem or convert at year 6 with mandatory exchange at year 8:** BEN has the option to redeem or convert in June 2021, subject to APRA approval.
- **Ordinary dividend restrictions:** Applies on the non payment of BENPF dividends
- **Automatic conversion under the Capital Trigger / Non-Viability Trigger Events**

Bendigo and Adelaide Bank CPS3

BENPB Key Dates	Dates
BENPB Ex Entitlement	16 Apr 2015
BENPB Record Date	20 Apr 2015
BENPB Ex Div	20 May 2015
BENPB Div Record Date	22 May 2015
BENPB Cease Trading	2 Jun 2015
Reinvestment Offer Close	5 Jun 2015
BENPB redemption	15 Jun 2015
BENPB div paid	15 Jun 2015
ASX listing (deferred settlement)	16 Jun 2015

Reinvestment Offer for BENPB step-up pref holders

As the BENPF offer is essentially a replacement issue for $90m BENPB, BEN is offering the opportunity to reinvest BENPB securities held at the 20 April 2015 record date into new BENPF securities (i.e. guaranteed allocation).

BENPB holders essentially have three options:

- **Option 1: Participate in Reinvestment Offer:** For BENPB holders that lodge their Personalised Application form by 5 June 2015, their securities will be reinvested into BENPF. Holders will receive the full quarterly dividend of $0.6667 fully franked on 15 June 2015 (ex div 20 May, record date 22 May).
- **Option 2: Sell BENPB on market:** BENPB ceases trading 2 June 2015.
- **Option 3: Do nothing and receive $100 Cash Redemption:** In addition to receiving $100 cash redemption per BENPB security on 15 June 2015, holders will receive the $0.6667 fully franked dividend outlined in Option 1 on 15 June 2015.

Offers for Broker Firm, Securityholder, Customer & General

- **Broker Firm Offer:** This is available to clients of Bell Potter, which is a Syndicate Broker to the BENPF issue. Broker firm bids will participate in the Bookbuild to be held on 1 May 2015.
- **Securityholder Offer:** Available to investors in BEN, BENHB, BENPB, BENPC, BENPD or BENPE. Applications for investors holding these securities at the 20 April 2015 Record Date requires a HIN or SRN.
- **General Offer:** Open to all Australian residents.

Bendigo and Adelaide Bank CPS3

Bendigo and Adelaide Bank overview

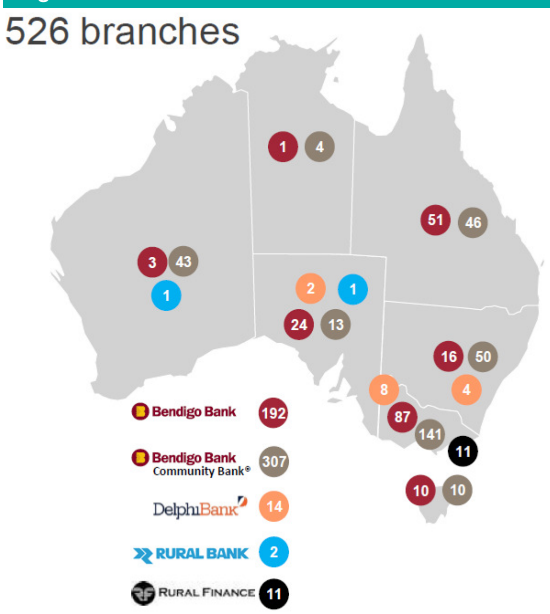
With a history dating back to 1858, BEN is today one of Australia's leading regional banks through a network of 526 branches, including 307 Community Bank branches. Its loan book is split 67% residential mortgages, 23% commercial, 7% consumer and 3% margin lending. BEN is currently the 59th largest ASX listed company (market cap $5.4bn) and operates four key business segments:

- Retail Banking (1H15 Cash Net Profit up 14.2% to $146m): Division includes the company owned Bendigo Bank branch network, Community Bank, Delphi Bank and Community Telco Australia.
- Third Party Banking (1H15 Cash Net Profit down 4.6% to $91m): Origination & processing of residential home loans, distributed through mortgage brokers, mortgage managers, mortgage originators and alliance partners via Adelaide Bank. Result boosted by $25.2m increase in contribution from Homesafe trust.
- Wealth (1H15 Cash Net Profit down 37.5% to $12m): Financial planning services, wealth management and margin lending.
- Agribusiness (1H15 Cash Net Profit up 73.3% to $42m): Provision of banking services to agribusiness, rural and regional Australian communities.

Great Southern Class Action settled in favour of BEN

On 23 July 2014 BEN entered into a deed of settlement to conclude the class actions brought forward by investors in managed investment schemes operated by Great Southern which entered liquidation in Nov 2009. This litigation related to $791m of loans between 2005 and 2008 where the class action was seeking to have these loans deemed void or unenforceable and for all money paid under these loans, including principal, interest and fees, to be repaid to borrowers. Under the settlement, BEN's borrowers who are members of the class action have admitted that their loans are valid and enforceable and have provided broad releases from future litigation. While principal and ordinary interest remains payable by the borrowers, BEN has agreed to waive interest on overdue amounts. The Supreme Court of Victoria approved the deed of settlement on 11 December 2014. In the following two months, over 300 customers have proactively repaid over $20m of the $311m of the loans in arrears at Dec 2014.

Figure 3: BEN network of 526 branches



SOURCE: COMPANY

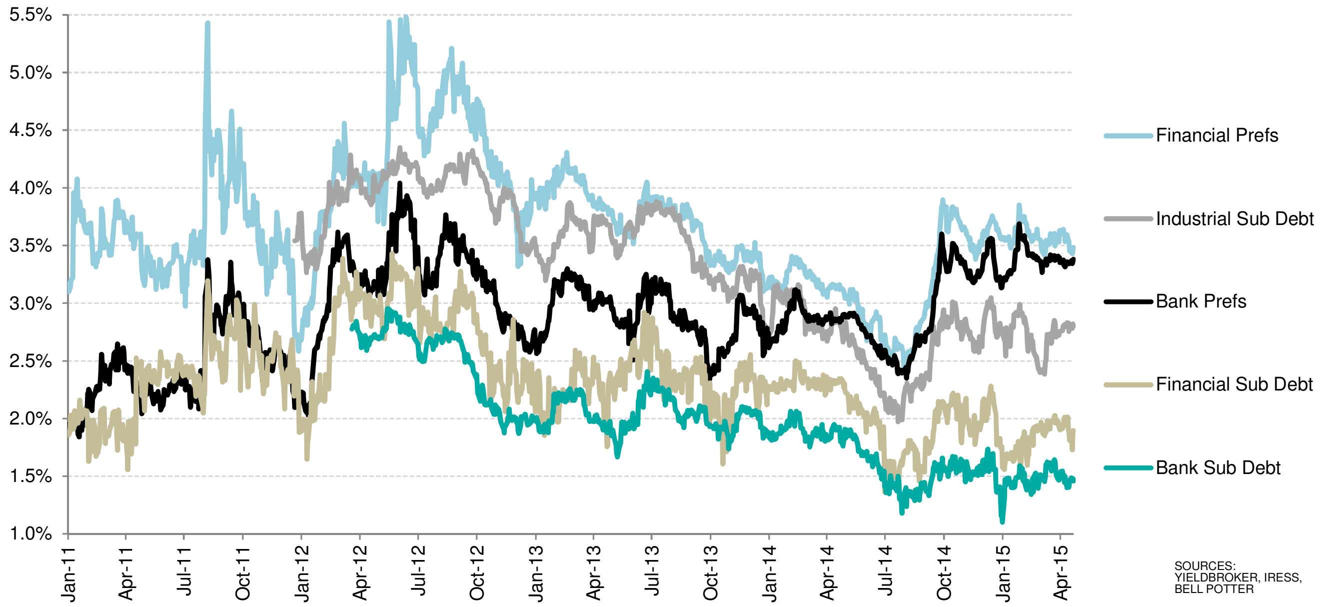
Bendigo and Adelaide Bank CPS3

Elevated hybrid margins remain an anomaly

After a sharp contraction until mid 2014, the average trading margins on financial prefs from issuers such as BEN have subsequently moved higher. This weakness is highlighted by the chart in Figure 4 which tracks the average trading margins since January 2011 splits across 5 sectors:

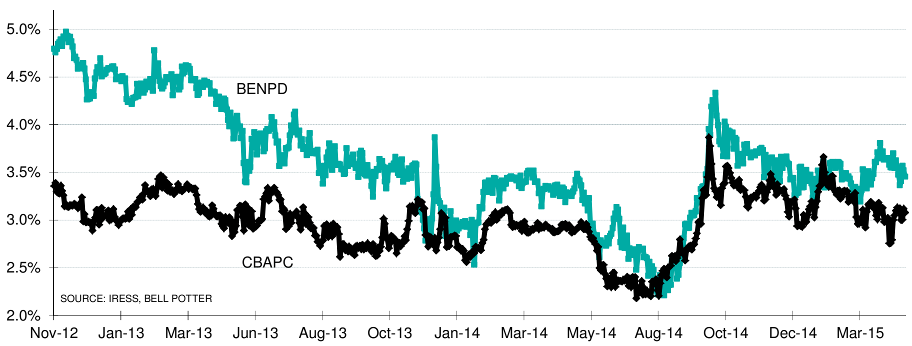
* Financial Prefs (BENPD, BENPE, BOQPD, CGFPA, IAGPC, IANG, MBLPA, MQGPA, SUNPC, SUNPE)
* Industrial Subordinated Debt (AGKHA, AQHHA, CTXHA, CWNHA, ORGHA, TAHHB)
* Bank Prefs (ANZPA, ANZPC, ANZPD, ANZPE, ANZPF, CBAPC, CBAPD, NABPA, NABPB, NABPC, WBCPC, WBCPD, WBCPE)
* Financial Subordinated Debt (AMPHA, AYUHA, CNGHA, SUNPD)
* Bank Subordinated Debt (ANZHA, NABHB, WBCHA, WBCHB).

Figure 4: Trading margins on ASX listed debt and hybrid sectors



There has also been a narrowing of the margin gap between financial and major bank prefs over recent years. In Sep 2012 there was a 1.20% spread between CBAPC (Dec 2018 call) which was priced at a margin of 3.80% versus BENPD (Dec 2017 call), priced at a margin of 5.00%. Since the start of 2014, the average spread between CBAPC and BENPD has narrowed to 0.32%. Occasionally, the trading margin on BENPD has been lower than CBAPC.

Figure 5: Trading margin on CBAPC and BENPD



Bendigo and Adelaide Bank CPS3

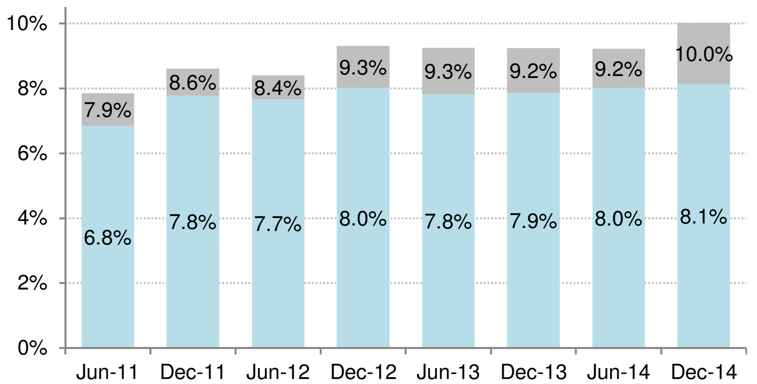
Improving bank capital levels reducing hybrid credit risk

It remains an anomaly that hybrid margins remain elevated when the credit risk associated with bank prefs has diminished. Measures under Basel III to strengthen banks capital, liquidity and stable funding ratios should combine to reduce the probability of financial distress.

It is easy to highlight the complexity of investing in hybrids with the Basel III requirements for Capital and Non Viability Trigger Events. This must be balanced against the Basel III requirements to strengthen banks. Application of these Trigger Events will most likely apply under a scenario of extreme financial distress, worse than the near death experience ANZ and WBC had in 1992.

BEN's CET1 has continued to strengthen over recent years to 8.1% at Dec 2014. Resolution of the Great Southern class action in favour of BEN is also important for reducing its risk profile.

Figure 6: BEN Common Equity Tier 1 and Reported Tier 1 Capital



SOURCE: COMPANY DATA, BELL POTTER

Fundamentals sounds, sentiment subdued

While fundamentals surrounding the credit risk of banks continues to strengthen, subdued hybrid investor sentiment has seen margins push higher off the lows achieved in mid 2014.

After being swamped with over $4bn of new issuance in Aug/Sep 2014 from CBAPD ($3bn), CGFPA ($345m), BENPE ($292m) and MBLPA ($429m), market pricing adjusted to push margins high, reflecting the impact of this new supply. Investors who had seen hybrid issues since late 2012 typically trade at a premium, were now potentially holding hybrids at a discount to face value. This resulted in a change in investor sentiment towards the hybrid sector. In early 2015, additional new supply from ANZPF ($970m) and NABPC ($1,349m) was also absorbed in an environment of subdued investor sentiment.

The investment thematic of chasing yield from quality issuers in a low interest rate environment remains key to improving sentiment in the hybrid sector.

Bendigo and Adelaide Bank CPS3

Historically high margins limit downside risk

The BENPF security structure is that of a fully paid preference shares in the capital of Bendigo and Adelaide Bank Limited. Assuming a continued stable operating environment for banks such as BEN, the historically high bookbuild range of 4.00-4.20% limits the risk of downside potential on BENPF.

Figure 7: Issue margins on comparative bank and insurance preference shares

Date of Listing	Issuer	Hybrid Code	Description	Margin over BBSW
7-Apr-06	CBA	PCAPA	PERLS III	1.05%
22-Jun-06	WBC	WCTPA	Trust Preferred Securities	1.00%
11-Jul-07	CBA	CBAPB	PERLS IV	1.05%
13-Jun-08	SUN	SBKPB	Convertible Preference Shares	3.20%
29-Jul-08	WBC	WBCPA	Stapled Preferred Securities	2.40%
1-Oct-08	ANZ	ANZPB	Convertible Preference Shares	2.50%
30-Mar-09	WBC	WBCPB	Stapled Preferred Securities II	3.80%
13-Oct-09	CBA	CBAPA	PERLS V	3.40%
18-Dec-09	ANZ	ANZPA	Convertible Preference Shares 2	3.10%
29-Sep-11	ANZ	ANZPC	Convertible Preference Shares 3	3.10%
26-Mar-12	WBC	WBCPC	Convertible Preference Shares	3.25%
2-May-12	IAG	IAGPC	Convertible Preference Shares	4.00%
18-Oct-12	CBA	CBAPC	PERLS VI	3.80%
1-Nov-12	BEN	BENPD	Convertible Preference Shares	5.00%
7-Nov-12	SUN	SUNPC	Convertible Preference Shares 2	4.65%
27-Dec-12	BOQ	BOQPD	Convertible Preference Shares	5.10%
12-Mar-13	WBC	WBCPD	Capital Notes	3.20%
21-Mar-13	NAB	NABPA	Convertible Preference Shares	3.20%
11-Jun-13	MQG	MQGPA	Capital Notes	4.00%
8-Aug-13	ANZ	ANZPD	Capital Notes	3.40%
18-Dec-13	NAB	NABPB	Convertible Preference Shares II	3.25%
1-Apr-14	ANZ	ANZPE	Capital Notes 2	3.25%
9-May-14	SUN	SUNPE	Convertible Preference Shares 3	3.40%
24-Jun-14	WBC	WBCPE	Capital Notes 2	3.05%
2-Oct-14	CBA	CBAPD	PERLS VII Capital Notes	2.80%
8-Oct-14	CGF	CGFPA	Capital Notes	3.40%
9-Oct-14	MQG	MBLPA	Capital Notes	3.30%
13-Oct-14	BEN	BENPE	Convertible Preference Shares 2	3.20%
6-Mar-15	ANZ	ANZPF	Capital Notes 3	3.60%
23-Mar-15	NAB	NABPC	Capital Notes	3.50%
16-Jun-15	**BEN**	**BENPF**	**Convertible Preference Share!**	**4.00-4.20%**

SOURCE: COMPANY DATA, BELL POTTER

Bendigo and Adelaide Bank CPS3

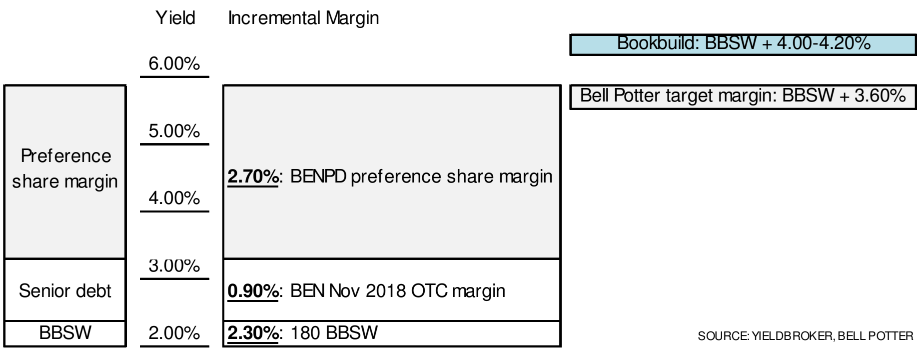
Assessed fair margin 3.60%

Our 3.60% BENPF assessed fair target margin equates to a 2.70% premium above BEN Sep 2019 senior debt. This also equates to a 1.65% premium above BEN wholesale subordinated debt (Jan 2019 call), which is currently on a trading margin of 1.95%. In a strong hybrid market, the margin spread between subordinated debt and prefs has historically been between 1.00-1.25%.

Key factors which may lead to capital upside from this potential margin compression include absorbing new hybrid supply, a reduced new issuance pipeline, and investors bidding up high margin hybrid issues in the search for yield.

Investors willing to accept the incremental risks in moving from a BEN Bank term deposit with a Government Guarantee on the first $250,000 to lower ranking preferred equity in BEN (BENPF) can achieve a healthy uplift in yield. BEN's current 1 year term deposit rate is 2.80%, while the initial grossed up yield on BENPF is 6.30% (4.41% fully franked) - based on the current 180BBSW of 2.30% plus a gross issue margin set at 4.00% (bottom end of the bookbuild range). This uplift in yield also requires the investor assuming longer duration risk, from a 1 year term deposit to BENPF with a call date in 6 years.

Figure 8: BENPF assessed fair margin



SOURCE: YIELDBROKER, BELL POTTER

Ultimately, bidding into a new issue provides a number of advantages, including:

- There is no brokerage charge on subscribing for new issues versus the brokerage charge for buying securities on the ASX.
- Investors have the ability to acquire their desired holding at face value, rather than chasing ASX listed stock where there may be limited liquidity.

Bendigo and Adelaide Bank CPS3

Mandatory Conversion Conditions

In order for bank Convertible Preference Shares (CPS) and Capital Notes to qualify as Additional Tier 1 capital, APRA has imposed a maximum conversion number in order to limit the dilution of ordinary shares upon conversion.

This maximum conversion number represents the face value of the preference share divided by 50% of the volume weighted average price (VWAP) of the issuer on the 20 business days preceding the issue date (Issue Date VWAP). For example, if BEN's 20 day VWAP was $12.10 before the issue date, the maximum conversion number would be 16.53 BEN shares per BENPF security (i.e. $100 / (50% x $12.10)).

To protect BENPF holders from receiving less than face value at Mandatory Conversion, there are a number of Conversion Conditions to be aware of:

- First: VWAP of ordinary shares on the 25th business day before a possible Scheduled Conversion Date (10 May 2023) must be above 55% of the Issue Date VWAP. Using the BEN price on 24 April 2015 of $12.10 x 55% = $6.66.
- Second: VWAP of ordinary shares during the 20 business days immediately preceding a potential Mandatory Conversion Date (17 May 2023 - 14 June 2023) must be greater than 50.51% of the BENPF Issue Date VWAP (i.e. $6.11).
- Third: Continuous trading (i.e. No Delisting Event) prior to a possible Mandatory Conversion Date - to provide protection should investors wish to sell the ordinary shares they receive upon conversion. A Delisting Event occurs when BEN is delisted or suspended, or there is an Inability Event.

If the Mandatory Conversion Conditions are not satisfied, conversion on the Mandatory Conversion Date will not occur. Under this scenario, the security will remain on issue and continue to pay dividends at the same margin. The Conversion Conditions will be tested on each subsequent future half yearly dividend date.

Figure 9: Mandatory Conversion Conditions

	BENPD	BENPE	BENPF
Date of Hybrid Issue	1-Nov-12	10-Oct-14	16-Jun-15
Mandatory Conversion Date	13-Dec-19	30-Nov-22	15-Jun-23
Conversion Discount	2.5%	1.0%	1.0%
Issue Date VWAP	$7.98	$12.08	$12.10
50% Dilution Cap	$3.99	$6.04	$6.05
Max Conv No (Face Value/Dilution Cap)	25.06	16.56	16.53
Conv Test 1 - % Issue Date VWAP	57.50%	55.00%	55.00%
Conv Test 1 Security Price	$4.59	$6.64	$6.66
Conv Test 2 - % Issue Date VWAP	51.28%	50.51%	50.51%
Conv Test 2 Security Price	$4.09	$6.10	$6.11
Conv Test 3 - Continuous Trading	Yes	Yes	Yes
Parent Share Price - 24 Apr 2015	$12.10	$12.10	$12.10
Prem/Disc to Dilution Cap	203.3%	100.3%	100.0%
Prem/Disc to Conversion Test 1	163.7%	82.1%	81.8%

SOURCE: COMPANY DATA, BELL POTTER

Bendigo and Adelaide Bank CPS3

Early Conversion Events: Capital Trigger and Non-Viability

The fallout from the Global Financial Crisis has seen the Basel Committee on Banking Supervision establish new capital reforms to be phased in between 1 January 2013 and 1 January 2019. The key objective of these new reforms is to ensure banks are adequately capitalised in the event of future crises. On 28 September 2012, APRA published its final Basel III prudential standards which include a number of changes to the eligibility criteria for capital instruments, including stricter criteria for instruments to qualify as Additional Tier 1 Capital.

These requirements include a Capital Trigger Event and a Non-Viability Trigger Event, where securities such as BENPF must be converted into ordinary equity if the financial position of BEN requires an immediate injection of capital. These prudential standards also require Australian banks to hold a minimum Common Equity Tier 1 Capital Ratio of 4.5% on 1 Jan 2013. This increases to 7.0% on 1 Jan 2016 after inclusion of the 2.5% Capital Conservation Buffer.

Capital Trigger Event

A Capital Trigger Event occurs when either BEN determines, or when APRA notifies BEN that it believes BEN's Common Equity Tier 1 Capital Ratio has is equal to or less than 5.125%. Under this Trigger, BEN must immediately Exchange enough BENPF, BENPE, and BENPD securities to boost the Common Equity Tier 1 (CET1) Capital Ratio above 5.125%. BEN's Basel III Common Equity Tier 1 Capital Ratio at 30 June 2014 stood at 8.02% (pro forma), providing a buffer of $1,042m. If we include BEN's cash net profit for the 12 months to December 2014 of $414m, a breach of the Common Equity Trigger requirement appears very low, particularly as BEN has options such as cutting ordinary dividends, divesting assets and undertaking equity raisings.

Non-Viability Trigger Event

In addition, BENPF will be Converted if APRA determines that BEN would be non-viable in the absence of an exchange or a public sector injection of capital. We note there are currently no precedents for a Non-Viability Trigger Event. Types of situations in which APRA may become concerned about non-viability include being insolvent, significant capital losses and financial stress, prolonged difficulties in raising funding in the public or private market, or maintaining sufficient liquidity.

Potential for Loss under Trigger Event if BEN under $2.42

Conversion resulting from a Capital Trigger Event or a Non-Viability Trigger Event will be done at the VWAP of BEN shares traded on the 5 Business Days immediately preceding the Conversion Date. While this is not subject to the Mandatory Exchange Conditions, it is still subject to the Maximum Conversion Number, which represents the face value of the preference share dividend by 20% of the issue date VWAP. If BEN's 20 issue date VWAP was $12.10, the maximum conversion number would be 41.32 BEN shares per BENPF security (i.e. $100 / (20% x $12.10)). As such, BENPF investors may exposed to receiving less than face value if BENPF is converted at less than $2.42. In practice this will only occur in the unlikely scenario that the issuer suffers severe impairment losses and does not raise equity to absorb those losses.

As it is likely that conversion under one of these Trigger Events would occur prior to a company Wind Up, BENPF holders will hold ordinary shares and rank equally with other holders of ordinary shares (i.e. lose priority ranking).

Bendigo and Adelaide Bank CPS3

Inability Event

One additional risk is an Inability Event if BEN is not able to issue ordinary shares from Conversion under a Capital Trigger Event (i.e. Common Equity Trigger Event or Non-Viability Trigger). Scenarios under which this may occur include BEN being prevented from issuing ordinary shares by circumstances outside of its control, including an applicable law or order of any court, or action of any Government authority from issuing shares.

Under an Inability Event, the rights attached to BENPF from the intended Capital Event Conversion Date will be automatically varied. BENPF holders will lose priority ranking over ordinary equity and the economic interest will be effectively limited to the dividends payable on the number of ordinary shares BENPF holders would have receive on conversion.

The capital value under of BENPF under an Inability Event will most likely be significantly reduced as BENPF will become an investment which may not be able to be sold on the ASX. In the event of a winding up, BENPF holders claim relates to the surplus available to ordinary shareholders on the basis that BENPF was converted into ordinary shares (i.e. proportionate claim to the enlarged ordinary equity base).

ASIC "Be wary of the risks" warning: Money Smart website

ASIC's Money Smart website provides information for retail investors who are considering investing in "Complex Investments" such as hybrid securities:

www.moneysmart.gov.au/investing/complex-investments/hybrid-securities-and-notes

Basically, hybrid securities (including subordinated notes and convertible preference shares) may be from well-known companies but they are very different from 'normal' corporate bonds.

Some hybrid securities make investors take on 'equity-like' risks. Some also have terms and conditions that allow the issuer to exit the deal or suspend interest payments when they choose. Some are very long-term investments (for example, more than 20 years).

Hybrid securities may be unsuitable for you if you need steady returns or capital security typically from a bank term deposit style of investment.

Bendigo and Adelaide Bank CPS3

Other investment risks

Key Security Risks include:

- BENPF is not a bank deposit protected by the Government guarantee scheme.
- As preferred equity, BENPF ranks behind deposits, senior debt and subordinated debt in BEN.
- BENPF dividends are at BEN's discretion and are non-cumulative.
- BENPF dividend payments must not exceed BEN's Distributable Profits (unless APRA provides approval), must not result in a breach of BEN's capital requirements under APRA's prudential standards, or payment must not result in BEN becoming insolvent.
- Adverse movement in credit spreads as a result of a tightening in the availability and cost of credit.
- New issues may offer more attractive issue terms and margins, placing downward pressure on the security price.
- Adverse change in BEN's and financial performance which combined with a major bad debt event could lead to the Common Equity Tier 1 Capital Ratio falling below 5.125%, resulting in automatic conversion under the Common Equity Trigger Event. Automatic conversion may also be required under a Non -Viability Trigger Event.
- Under an Inability Event, BENPF will lose most of its value if BEN is not able to convert BENPF into ordinary shares under a Capital Trigger Event.
- Conversion of BENPF at the June 2023 Mandatory Conversion Date requires BEN's share price at the time of Mandatory Conversion to be above certain thresholds. If these thresholds are not met in June 2023 or at future half yearly dividend payment dates, BENPF may remain on issue indefinitely.
- Duration risk - the longer the duration, the more capital price volatility from movement in prevailing hybrid margins

Key Business Risks of BEN include:

- A material deterioration in global capital markets and the Australian economy.
- Weakening real estate markets in Australia.
- Adverse regulatory changes.
- Operational risks and trading errors.
- Increasing competition.
- Credit rating downgrades.
- Losses associated with counterparty exposures.
- Poor performance of acquired businesses.

Refer page 71 of the prospectus for further information on risks.

Fixed Income

Bell Potter Securities Limited
ACN 25 006 390 772
Level 38, Aurora Place
88 Phillip Street, Sydney 2000
Telephone +61 2 9255 7200
www.bellpotter.com.au

Research Team

Staff Member	Title/Sector	Phone	@bellpotter.com.au
TS Lim	Head of Research	612 8224 2810	tslim
Industrials			
Sam Haddad	Industrials	612 8224 2819	shaddad
John O'Shea	Industrials	613 9235 1633	joshea
Chris Savage	Industrials	612 8224 2835	csavage
Jonathan Snape	Industrials	613 9235 1601	jsnape
Sam Byrnes	Industrials	612 8224 2886	sbyrnes
John Hester	Healthcare	612 8224 2871	jhester
Tanushree Jain	Healthcare/Biotech	612 8224 2849	tnjain
Financials			
TS Lim	Banks/Regionals	612 8224 2810	tslim
Lafitani Sotiriou	Diversified	613 9235 1668	lsotiriou
Resources			
Peter Arden	Resources	613 9235 1833	parden
David Coates	Resources	612 8224 2887	dcoates
Fred Truong	Resources	613 9235 1629	ftruong
Quantitative			
Tim Piper	Quantitative & System	612 8224 2825	tpiper