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Bendigo and Adelaide Bank Convertible Preference Shares (BENPD)

Fixed Interest

Issue overview

Issuer	BEN
Issue ASX code	BENPD
Face value	$100
Estimated offer size	$125m
Bookbuild margin range	5.00-5.50%
Franking	100%
Dividend payments	Half yearly
First dividend payment	13 Dec 2012
Minimum application	$5,000
First optional redemption	13 Dec 2017
Mandatory conversion	13 Dec 2019

Timeline

Lodgement of prospectus	24 Sep 2012
Bookbuild margin	28 Sep 2012
Announcement of margin	1 Oct 2012
Offer opens	2 Oct 2012
Offer closes:	
Securityholder, customer	25 Oct 2012
Reinvestment	25 Oct 2012
Broker firm	31 Oct 2012
Issue date	1 Nov 2012
ASX listing (deferred settlement)	1 Nov 2012

Additional Disclosure: Bell Potter Securities Limited is acting as Co-manager to the BENPD issue and will receive fees for this service.

Breaking its hybrid issuance drought with a record margin

Bendigo and Adelaide Bank (BEN) has launched its convertible preference share issue (BENPD) seeking to raise $125m at a record high margin range for a financial institution of 5.00-5.50%. This new Basel III hybrid issue was flagged at its FY12 result as a replacement issue of BEN's $90m fixed rate reset pref (BENPA). BENPA holders have the option to reinvest into BENPD or be redeemed at the 1 Nov 2012 reset date.

The rollover is similar to the IAGPA / IAGPC and CBAPB / CBAPC reinvestment offers, where existing securities are replaced with hybrids that APRA qualifies as Additional Tier 1 capital under the Basel III framework. The structure contains a Common Equity Trigger Event where the security must convert into ordinary shares if the Core Tier 1 ratio falls below 5.125% (BEN pro forma 8.09% or $839m buffer). BENPD must also be converted under a Non-Viability Trigger Event if APRA views that BEN would be non-viable in the absence of BENPD conversion or a public sector injection of capital.

Based on the current 180BBSW of 3.37%, the initial gross floating rate running yield is healthy at 8.37% (5.86% fully franked). This represents a relatively small reduction in income levels for BENPA holders, given that it was last reset on 1 Nov 2007 at a 5 year swap of 7.205% + 1.60% margin (i.e. fixed 8.805% gross / 6.16% fully franked).

This margin should ensure BENPD is well supported. BEN last raised hybrid capital in Mar 2005 (BENPB) after its Oct 08 pref issue was withdrawn at the height of the GFC. The Mar 2011 Retail Bond (BENHA) raised $90.5m against a target of up to $250m.

We assess a fair value margin on BENPD of 4.80%, representing a 1.20% premium to our 3.60% CBAPC fair value margin. While BEN remains exposed to litigation on Great Southern MIS investor loans, BEN's strengths include 80% of funding is from retail deposits and a low bad debt charge which peaked at 29bp of loans in 2H09 (now 7bp).

Figure 1: Trading margins on debt and equity securities

	Ranking	Security	Trading Margin BBSW+	Maturity	First Call
Higher Ranking	Secured debt	SUN covered bond (issue margin 105bp)	68bp	Dec 2015	Dec 2014
	Unsubordinated unsecured debt	SUN senior debt	142bp	Apr 2015	
	Subordinated unsecured debt	Colonial (CNGHA)	325bp	Mar 2037	Mar 2017
		Bank of Qld (OTC)	387bp	May 2021	May 2016
	Preference securities	**BENPD**	**500-550bp**	**Dec 2019**	**Dec 2017**
Lower Ranking	Equity	Ordinary BEN shares	>700bp	Perpetual	

SOURCE: YIELDBROKER, BELL POTTER

Key features

- **Initial gross running yield of at least 8.37% (5.86% fully franked):** Floating rate based on 180BBSW of 3.37% + bookbuild margin of at least 5.00%.
- **Yr 5 option to redeem, mandatory conversion yr 7:** BEN has option to redeem in Dec2017, and each subsequent HY div payment date, subject to APRA approval.
- **Ordinary dividend restrictions:** Applies on the non payment of BENPD dividends
- **Automatic conversion under the Capital Trigger / Non-Viability Trigger Events**

Bendigo and Adelaide Bank CPS

BENPA Key Dates	Dates
BENPA Ex Entitlement	17 Sep 2012
BENPA Record Date	21 Sep 2012
BENPA Ex Div	11 Oct 2012
BENPA Div Record Date	17 Oct 2012
BENPA Cease Trading	24 Oct 2012
Reinvestment Offer Close	25 Oct 2012
ASX listing (deferred settlement)	1 Nov 2012
BENPA redemption	1 Nov 2012
BENPA div paid	1 Nov 2012

Reinvestment Offer for BENPA reset pref holders

As the BENPD offer is essentially a replacement issue for BENPA, BEN is offering the opportunity to reinvest BENPD securities held at the 21 September 2012 record date into new BENPD securities (i.e. guaranteed allocation).

BENPA holders essentially have three options:

- **Option 1: Participate in Reinvestment Offer:** For BENPA holders that lodge their Personalised Application form by 25 October 2012, their securities will be reinvested into BENPD. Holders will receive the full half year dividend on of $3.0968 fully franked on 1 November 2012 (ex div 11 Oct, record date 17 Oct).
- **Option 2: Sell BENPA on market:** BENPA ceases trading on 24 October 2012.
- **Option 3: Do nothing and receive $100 Cash Redemption:** In addition to receiving $100 cash redemption per BENPA security on 1 Nov 2012, holders will receive the $3.0968 fully franked dividend outlined in Option 1 on 1 Nov 2012.

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 BENPD issue. Broker firm bids will participate in the Bookbuild to be held on 28 September 2012.
- **Securityholder Offer:** Available to investors in BEN, BENHA, BENHB, BENPA, BENPB or BENPC. Applications for investors holding these securities at the 21 September 2012 Record Date requires a HIN or SRN.
- **Community Bank and Customer Offer:** Includes BEN customers.
- **General Offer:** Open to all Australian residents.

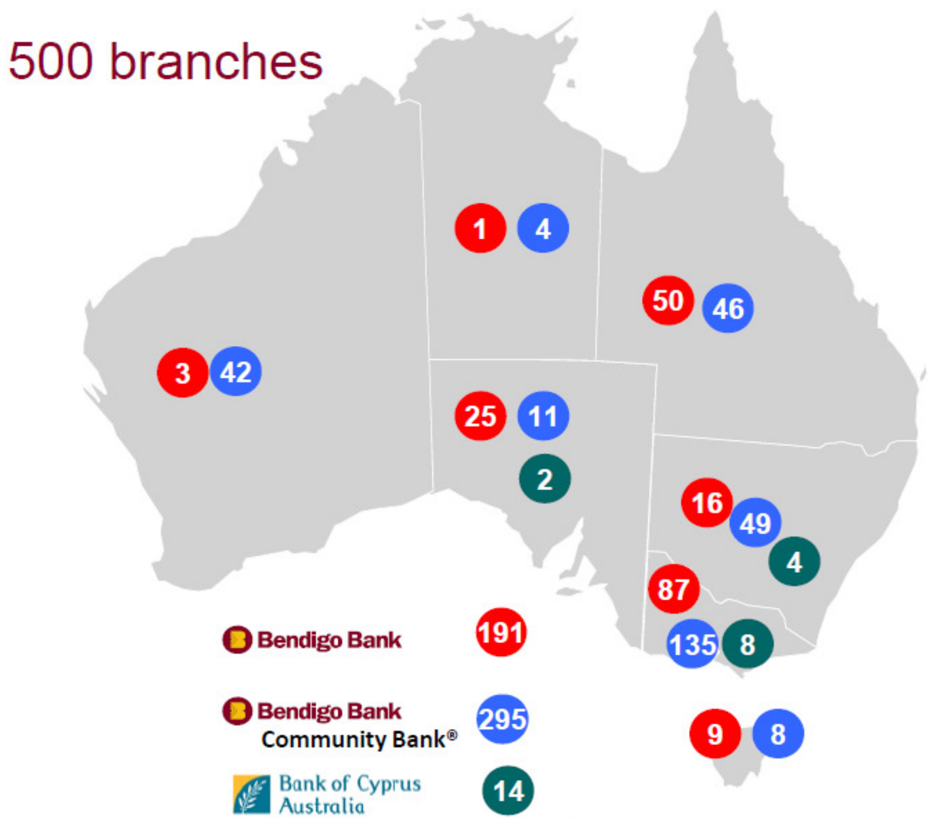
Bendigo and Adelaide Bank CPS

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 500 branches, including 295 Community Bank branches. Its loan book is split 65% residential mortgages, 22% commercial, 10% consumer and 5% margin lending. BEN is currently the 57th largest ASX listed company (market cap $2.9bn) and operates five key business segments:

- Bendigo Bank (FY12 Cash Net Profit up 1.7% to $148.5m): Stronger net interest income offset by higher staff cost and operating expenses, as well as amortisation of the new CRM (Customer Relationship Management) system.
- Adelaide Bank (FY12 Cash Net Profit up 5.3% to $168.3m): Driven by portfolio growth and reduced expenses.
- Rural Bank (FY12 Cash Net Profit up 28.0% to $58.1m): Earnings boosted by arrears and provisions are returning to historical norms after the trade disruptions and natural disasters over the past 2 years.
- Bendigo Wealth (FY12 Cash Net Profit down 22.5% to $55.9m): Earnings fell $22.6m as a result of a $868m reduction in the Leveraged Equities margin lending loan book.
- Bank of Cyprus Australia: Acquired on 29 February 2012, providing consumer and small to medium enterprise banking for the Greek communities.

Figure 2: BEN branch network



SOURCE: COMPANY

Bendigo and Adelaide Bank CPS

Lowest impairment charge, highest retail funding vs peers

When assessing the risks associated a hybrid issued by a financial services company, three key criteria are incidence of bad debt (i.e. risk management of the issuer), capital adequacy and funding. Overall BEN rates favourably on all these measures.

Bad debts: BEN's impairment charge to loans has consistently been below that of its peers. As a regional bank providing financial services to retail customers (i.e. residential mortgages) and small to medium sized businesses, it has avoided losses to single name corporates (e.g. ABC Learning, Babcock & Brown) and South East Queensland property developers over recent years.

Figure 3: BEN bad debts to loans (bp)

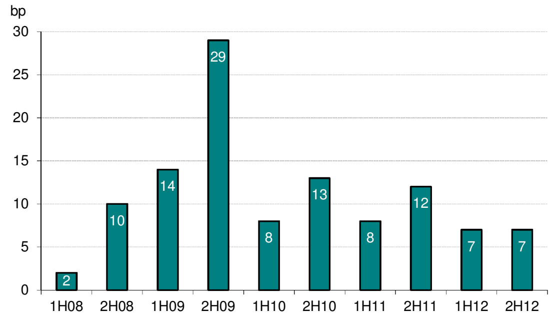


Figure 4: Bank bad debt to loans

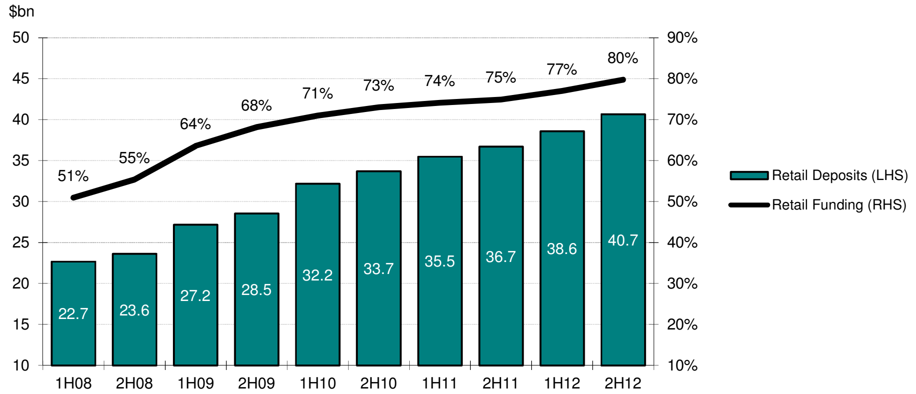
	GFC Peak		Current
BEN	29bp	2H09	7bp
CBA	70bp	1H09	20bp
WBC	73bp	2H09	24bp
ANZ	94bp	2H09	27bp
NAB	100bp	2H09	46bp
SUN	128bp	2H09	110bp
BOQ	194bp	1H12	194bp

SOURCE: COMPANY DATA, BELL POTTER

Capital adequacy: BEN's adjusted Common Equity Tier 1 Ratio (Basel III) of 8.09% implies BEN has an $839m buffer above the 5.125% Common Equity Trigger Event ratio. With a FY12 cash net profit of $323m, BEN can boost its capital adequacy by reducing ordinary dividends.

Funding: BEN has improved its funding from customer deposits to 80%, which is the highest of its peer banks. By comparison, the 4 majors are between 60-65% (NAB 65%, WBC 63%, CBA 62%, ANZ 60%) while BOQ is at 57%. BOQ also has another 9% of funding from Government Guaranteed wholesale funding which needs to be refinanced by March 2015, compared with none for BEN. Even as recent as last week Moody's reiterated its concerns about Australian Bank reliance on offshore funding and that a mild downturn in offshore wholesale funding could lead to Australian Bank funding stress.

Figure 5: BEN Retail Deposit Funding



SOURCE: COMPANY DATA, IRESS, BELL POTTER

Bendigo and Adelaide Bank CPS

Record high preference share margin

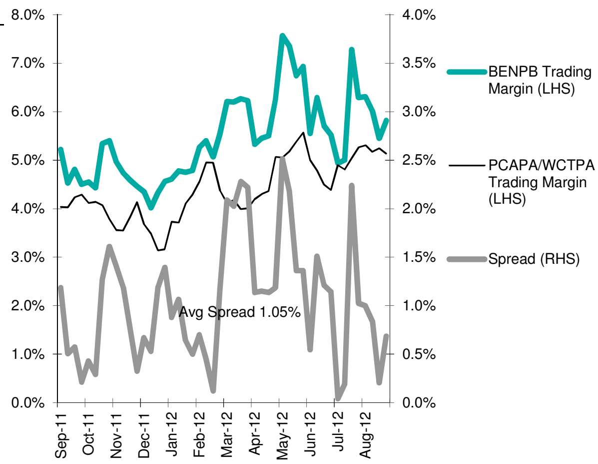
The record high issue margin is a function of the pricing of the recent CBA PERLS VI issue (3.80% margin), the additional risk the new Basel III compliant hybrid securities place on investors, and the margin premium required for a regional bank.

Figure 6: Issue margins on comparative bank preference shares

Date of Listing	Issuer	Hybrid Code	Description	Margin over BBSW
7-Jan-04	CBA	PCBPA	PERLS II	0.95%
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%
18-Oct-12	CBA	CBAPC	PERLS VI	3.80%
1-Nov-12	BEN	BENPD	Convertible Preference Shares	5.00-5.50%

SOURCE: COMPANY DATA, BELL POTTER

Figure 7: BENPB trading margin versus PCAPA/WCTPA



SOURCE: COMPANY DATA, BELL POTTER

If we consider what margin premium a Bendigo Bank preference share should have over a comparable security of a major bank, figure 7 compares the trading margin (i.e. gross yield to maturity less BBSW) spread between the BEN step-up pref (BENPB) with a step up date in June 2015, and the step-up prefs from CBA (PCAPA, April 2016 step-up) and WBC (WCTPA June 2016 step-up).

Given the average trading margin spread on BENPB has been 1.05% over the past year, in comparison to the CBA PERLS VI (CBAPC) issue margin of 3.80%, an additional 1.20% margin appears sufficient. While BENPD has a 1 year shorter term than CBAPC, this is neutralised by paying half yearly dividends versus quarterly (time value of money) plus the potential litigation risk on Great Southern MIS investor loans.

Figure 8: Gross yield to maturity margin over BBSW ranking

Issue	ASX Code	Gross Margin Over BBSW	Price 21-Sep-12	Face Value	Mkt Cap $m	Call / Conv Date	Conv Method	Gross Run Yld	Gross Yld to Mat	Gross YTM to Swap	Conv Disc
BEN PS	BENPB	150bp	$90.50	$100	$81	Jun-15	Step-Up	5.45%	9.21%	5.81%	2.5%
SUN CPS	SBKPB	320bp	$99.00	$100	$728	Jun-13	Mand Conv	6.71%	8.61%	5.21%	1.0%
WBC TPS	WCTPA	100bp	$87.40	$100	$667	Jun-16	Step-Up	5.03%	8.55%	5.15%	2.5%
BEN CPS	**BENPD**	**500bp**	**$100.00**	**$100**	**$125**	**Dec-17**	**Mand Conv**	**8.37%**	**8.37%**	**5.00%**	**2.5%**
CBA PERLS III	PCAPA	105bp	$179.60	$200	$1,047	Apr-16	Step-Up	5.01%	8.38%	4.98%	2.5%
CBA PERLS VI	CBAPC	380bp	$100.00	$100	$1,500	Dec-18	Mand Conv	7.20%	7.20%	3.80%	1.0%
ANZ CPS3	ANZPC	310bp	$98.00	$100	$1,313	Sep-17	Mand Conv	6.76%	7.04%	3.67%	1.0%
CBA PERLS V	CBAPA	340bp	$201.79	$200	$2,018	Oct-14	Mand Conv	6.78%	7.06%	3.66%	1.0%
WBC CPS	WBCPC	325bp	$98.22	$100	$1,168	Mar-18	Mand Conv	6.74%	7.02%	3.65%	1.0%
ANZ CPS2	ANZPA	310bp	$98.85	$100	$1,946	Dec-16	Mand Conv	6.61%	7.03%	3.63%	1.0%
ANZ CPS1	ANZPB	250bp	$98.77	$100	$1,068	Jun-14	Mand Conv	6.01%	6.91%	3.51%	2.5%
WBC SPS	WBCPA	240bp	$99.20	$100	$1,028	Sep-13	Mand Conv	5.85%	6.64%	3.24%	1.0%
WBC SPS II	WBCPB	380bp	$101.40	$100	$921	Sep-14	Mand Conv	7.10%	6.52%	3.12%	1.0%

Projected running yield and yield to maturity assume BBSW holds at the current level: 90 BBSW 3.40%, 180 BBSW 3.37%

SOURCE: COMPANY DATA, IRESS, BELL POTTER

Bendigo and Adelaide Bank CPS

Mandatory Conversion Conditions

In order for bank Convertible Preference Shares (CPS) 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 $7.80 before the issue date, the maximum exchange number would be 25.6410 BEN shares per BENPD security (i.e. $100 / (50% x $7.80)).

To protect BENPD holders from receiving less than face value at mandatory exchange, there are Mandatory Conversion Conditions which investors need to be aware of:

- First: VWAP of ordinary shares on the 25th business day before a possible Mandatory Conversion Date (8 November 2019) must be above 57.50% of the Issue Date VWAP. Using the BEN price on 21 Sep 2012 of $7.80 x 57.5% = $4.49.
- Second: VWAP of ordinary shares during the 20 business days immediately preceding a possible Mandatory Exchange Date (15 November 2019) must be greater than 51.28% of the BENPD Issue Date VWAP (i.e. $4.00).
- Third: No Delisting Event (i.e. BEN shares delisted or suspended from ASX trading) applies to ordinary shares in respect of a Mandatory Conversion Date, which may prevent converted shares being sold on the ASX.

If Mandatory Conversion Conditions are not satisfied, mandatory conversion will not occur. *BEN does, however, have the option of applying to APRA for cash redemption.* Two factors APRA will consider in allowing redemption are:

- BEN issues a replacement capital instrument of at least the same quality as BENPD
- APRA is satisfied BEN's capital position is sound and does not have to issue a replacement capital instrument for BENPD.

In the event mandatory conversion does not occur, the security will remain on issue and continue to pay dividends at the same margin. Mandatory Conversion Conditions will be tested on each subsequent future half yearly dividend date.

Figure 9: Mandatory Conversion Conditions

	BENPD	ANZPA	ANZPB	ANZPC	CBAPA	CBAPC	IAGPC	MQCPA	SBKPB	WBCPA	WBCPB	WBCPC
Date of Hybrid Issue	1-Nov-12	18-Dec-09	1-Oct-08	29-Sep-11	13-Oct-09	17-Oct-12	1-May-12	8-Jul-08	13-Jun-08	29-Jul-08	30-Mar-09	23-Mar-12
Mandatory Conversion Date	13-Dec-19	15-Dec-16	16-Jun-14	1-Sep-19	15-Oct-14	15-Dec-20	1-May-19	30-Jun-13	14-Jun-13	26-Sep-13	30-Sep-14	30-Mar-20
Conversion Discount	1.0%	1.0%	2.5%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Issue Date VWAP	$7.80	$21.80	$17.35	$19.53	$50.49	$55.15	$3.46	$48.79	$14.38	$20.09	$17.51	$20.83
50% Dilution Cap	$3.90	$10.90	$8.68	$9.77	$25.25	$27.58	$1.73	$24.40	$7.19	$10.05	$8.76	$10.42
Max Conversion No (Face Value/Dilution Cap)	51.28	9.17	11.53	10.24	7.92	7.25	57.80	4.10	13.91	9.95	11.42	9.60
Conversion Test 1 - % Issue Date VWAP	57.50%	56.00%	56.00%	56.00%	56.00%	56.00%	57.50%	55.56%	55.56%	55.56%	55.56%	55.56%
Conversion Test 1 Security Price	$4.49	$12.21	$9.72	$10.94	$28.28	$30.88	$1.99	$27.11	$7.99	$11.16	$9.73	$11.57
Conversion Test 2 - % Issue Date VWAP	51.28%	50.51%	51.28%	51.28%	50.51%	50.51%	50.51%	50.51%	50.51%	50.51%	50.51%	50.51%
Conversion Test 2 Security Price	$4.00	$11.01	$8.90	$10.01	$25.50	$27.86	$1.75	$24.64	$7.26	$10.15	$8.84	$10.52
Conversion Test 3 - Continuous Trading	Yes	Yes	Yes	Yes	n/a	n/a	Yes	Yes	Yes	n/a	n/a	n/a
Parent Share Price - 21 September 2012	$7.80	$24.84	$24.84	$24.84	$55.15	$55.15	$3.37	$29.06	$9.39	$24.62	$24.62	$24.62
Prem/Disc to Dilution Cap	100.0%	127.9%	186.3%	154.4%	118.5%	100.0%	94.8%	19.1%	30.6%	145.1%	181.2%	136.4%
Prem/Disc to Exchange Test 1	73.9%	103.5%	155.7%	127.1%	95.0%	78.6%	69.4%	7.2%	17.5%	120.6%	153.1%	112.7%

SOURCE: COMPANY DATA, BELL POTTER

Bendigo and Adelaide Bank CPS

Early Exchange Events: Capital Trigger Events

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 Jan 2013 and 1 Jan 2019. The key objective of these new reforms is to ensure banks are adequately capitalised in the event of future crises. APRA has responded to these Basel III capital reforms by publishing a discussion paper in March 2012 on adopting an accelerated timetable for implementation. Under Basel III, APRA requires Australian banks to hold a minimum Common Equity Tier 1 Capital Ratio of 4.5% on 1 Jan 2013, increasing by the 2.5% capital conservation buffer to 7.0% on 1 Jan 2016.

APRA's Basel III requirements for the issue of Tier 1 securities include two Capital Trigger Events: a Common Equity Trigger Event, and a Non-Viability Trigger Event. Under these Trigger Events, securities such as BENPD must be converted into ordinary equity if the financial position of BEN requires an immediate injection of capital.

Common Equity Trigger Event

A Common Equity Trigger Event occurs when either BEN determines, or when APRA notifies that it believes BEN's Common Equity Tier 1 Capital Ratio is equal to or less than 5.125%. Under this Trigger, BEN must immediately Convert enough BENPD securities to boost the Common Equity Tier 1 Capital Ratio above 5.125%. BEN's adjusted Basel III Common Equity Tier 1 Capital Ratio at 30 June 2012 stood at 8.09%, providing a buffer of $839m. If we include BEN's FY12 cash net profit of $323m, a breach of this Capital Trigger requirement appears low, particularly as BEN has options such as cutting ordinary dividends and undertaking equity raisings.

Non-Viability Trigger Event

In addition, BENPD will be Exchanged 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. BEN believes the types of situations in which APRA may become concerned about non-viability include significant capital losses, prolonged difficulties in raising funding or maintaining sufficient liquidity.

No Mandatory Exchange Conditions under Early Exchange

Exchange 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 Exchange Date. While this is not subject to the Mandatory Exchange Conditions, it is still subject to the Maximum Exchange 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 $7.80, the maximum exchange number would be 64.1026 BEN shares per BENPD security (i.e. $100 / (20% x $7.60)).

As such, BENPD investors may exposed to receiving less than face value if BENPD is exchanged at less than $1.56. 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.

Bendigo and Adelaide Bank CPS

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 BENPD from the intended Capital Event Conversion Date will be automatically varied. BENPD 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 BENPD holders would have receive on conversion.

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

Great Southern MIS investor loan litigation risk exposure

BENPD investors need to be aware of the potential risk from an adverse judgement relating to litigation on loan provided by BEN to MIS (managed investment scheme) investors in Great Southern, which entered liquidation in November 2009.

The litigation relates to $791m of loans between 2005 and 2008. While no wrongdoing is alleged against BEN, the litigation is 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.

Given BEN only had $20.7m of provisions against the performance of the Great Southern loan portfolio at 30 June 2012, an adverse ruling could have a significant impact on BEN retaining its Common Equity Tier 1 Ratio above 5.125%, increasing the risk of a Capital Trigger Event. As an adverse ruling will most likely place pressure on the ordinary share price, conversion into BEN shares under a Capital Trigger Event may result in BENPD holders receiving less than face value if the BEN share price falls by more than 80% from the Issue Date. A decline in BEN share price also increases the risk of satisfying the share price thresholds under the Mandatory Conversion Conditions.

With regards to timetable, parties are required to participate in a court ordered mediation process on 24-25 September 2012, with the trial set to commence in the Victorian Supreme Court on 29 October 2012.

BEN is vigorously defending these Group Proceedings and does not expect a judgement to be handed down prior to the second quarter of 2013. Any judgement may then be subject to appeal, and the application of Group Proceedings judgement to individual borrowers will need to be determined in subsequent proceedings.

Accordingly the final outcome may not be known for a significant period of time.

Bendigo and Adelaide Bank CPS

Other investment risks

Key Security Risks include:

- BENPD is not a bank deposit protected by the Government guarantee scheme.
- As preferred equity, BENPD ranks behind deposits, senior debt and subordinated debt in BEN.
- BENPD dividends are at BEN's discretion and are non-cumulative.
- BENPD 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, BENPD will lose most of its value if BEN is not able to convert BENPD into ordinary shares under a Capital Trigger Event.
- Conversion of BENPD at the Dec 2019 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 Dec 2019 or at future half yearly dividend payment dates, BENPD may remain on issue indefinitely.

Key Business Risks of BEN include:

- A material deterioration in global capital markets and the Australian economy.
- Adverse regulatory changes.
- Operational risks and trading errors.
- Increasing competition.
- Credit rating downgrades.
- Losses associated with counterparty exposures.
- Adverse court ruling from Great Southern litigation.
- Poor performance of acquired businesses.

Refer page 68 of the prospectus for further information on risks.

Fixed Income

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Resources			
Stuart Howe	Bulks & Copper	613 9235 1782	showe
Fred Truong	Bulks & Copper	613 9235 1629	ftruong
Trent Allen	Emerging Growth	612 8224 2868	tcallen
Michael Lovesey	Emerging Growth	612 8224 2847	mlovesey
Johan Hedstrom	Energy	612 8224 2859	jhedstrom
Stephen Thomas	Gold & Nickel	618 9326 7647	sthomas
Quantitative			
Janice Tai	Quantitative & System	612 8224 2833	jtai
Fixed Income			
Damien Williamson	Fixed Income	613 9235 1958	dwilliamson
Barry Ziegler	Fixed Income	613 9235 1848	bziegler