Bendigo Foreign Exchange Swap Contracts.

Product Disclosure Statement.

23 May 2018

Bendigo Bank

About this document

This Product Disclosure Statement (PDS) is an important document. It provides you with information about certain types of Foreign Exchange Swap Contracts (FESC) so that you can decide whether to acquire or enter into such contracts. You should read this document carefully before you decide whether or not to acquire or enter into FESCs.

You should also keep this PDS for your future reference. If you have any questions, please contact us.

This PDS should be read in parallel with the Bendigo and Adelaide Bank's PDS for Foreign Exchange Contracts which can be obtained by contacting us.

'We', 'our' or 'us' means Bendigo and Adelaide Bank Limited.

'You' or 'your' means the person who has a product with us. It can also include a partnership, trust, company or corporation. If more than one person has the product, 'you' includes all those people – singly and as a group. 'Your' is used in the same way. All reference to 'you' and 'your' include the successors, administrators or assign of you or that person.

This PDS does not constitute a recommendation or opinion that an FESC is appropriate for you.

The issuer of the products described in this PDS is Bendigo and Adelaide Bank Limited,
ABN 11 068 049 178, AFSL No. 237879.

This PDS only applies where it is received by a person in Australia.

Information in this PDS may be subject to change from time to time. Where the change is not materially adverse, you will be able to find out the new information by contacting us on 1800 061 783 or by accessing the Bendigo Bank website at www.bendigobank.com.au

A paper copy of any updated information will be given to you on request without charge.

Contact details

You can contact us at:

- Financial Markets
  The Bendigo Centre,
  PO Box 480,
  Bendigo VIC 3552
  Telephone 1800 061 783
  Facsimile 03 5485 7611
  Email: bendigofx@bendigoadelaide.com.au
  www.bendigobank.com.au

Note: Telephone conversations with Bendigo and Adelaide Bank Financial Markets may be recorded for dispute resolution purposes.

Alternatively you can contact us via:

- Telephone **1300 BENDIGO** (1300 236 344)
- The Bendigo Bank website at www.bendigobank.com.au; or
- Customer Feedback Team
  Complaints, compliments & suggestions
  Telephone 1300 361 911
  8.30am – 5.00pm (AEST/AEDT)
  Monday to Friday

Table of Contents

1.. Foreign Exchange Swap Contract Product Features	1
2. Significant benefits and risks	3
3. Fees and commissions	4
4. Privacy	4
5. Tax	5
6. Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF)	5
7. Code of Banking Practice	5
8. If you have a complaint	5
9. Joint accounts	6

Foreign Exchange Swap Contract product features

What is a Foreign Exchange Swap Contract?

An FESC is a contract under which a fixed amount of one currency is exchanged for another currency on one day (the first leg date) and the same two currencies (the currency pair) are re-exchanged on another day after the first leg date (the end leg date). It has two legs, with a fixed amount of one currency bought in one leg on the first leg date and sold in the other leg on the end leg date. It is a contract into which two foreign exchange contracts are packaged.

For example, a customer exchanges Australian Dollars (AUD) for USD1 million with us (that is, the Customer buys USD1 million from us by paying in AUD) at a foreign exchange rate of .8765 on 26 September 2014, and exchanges the USD 1 million for AUD (that is, the Customer sells USD1 million to us for AUD) at the foreign exchange rate of .8760 on 3 October 2014.

The foreign exchange rate is the price at which one currency (the base currency) is bought or sold, expressed in terms of another currency (the terms currency). For example, 'the exchange rate for AUD/USD of .8760 means one AUD is equal to 87.60 US cents. An FESC will involve two applicable foreign exchange rates, the initial rate (applicable for the exchange on the first leg date) and the end leg rate (applicable for the exchange on the end leg date), although it is possible to have identical rates on both legs.

The difference between the initial rate and the end leg rate reflects the interest rate differential (which is the difference between the prevailing interest rates for the currency pair over the period from the date on which the FESC is entered into or booked (the trade date) to the date on which the exchange of the currency on the second leg (the value date) between the two currencies determined by us. The transaction replicates investing in one currency and borrowing in the other.

The first leg date can be:

a. a "value today" date, that is, the same date as the trade date;
b. a "spot date", that is, a date which is two business days after the trade date;
c. a "value tomorrow" date, that is the date which occurs on the business day after the trade date; or
d. a "forward" date, that is, a date which occurs later than two business days after the trade date.

The end leg date is always a date later than the first leg date.

The swap always involves two currencies (the currency pair), a first leg date and an end leg date.

The currencies forming the currency pair must be those acceptable to us. The currencies which are acceptable to us currently are:

Currency	Code
Australian Dollars	AUD
United States Dollars	USD
Euro	EUR
British Pound	GBP
Japanese Yen	JPY
Singapore Dollar	SGD
New Zealand Dollar	NZD
Hong Kong Dollar	HKD
Canadian Dollar	CAD
Thai Baht	THB
Indonesian Rupiah	IDR
Swiss Franc	CHF
Fiji Dollar	FJD
Indian Rupee	INR
Phillippine Peso	PHP
South African Rand	ZAR
Swedish Kroner	SEK
Norwegian Kroner	NOK
Danish Kroner	DKK

How the Foreign Exchange Swap Contract works

An FESC is a tool used to fund one foreign currency with another. For example, a customer that may have a short term requirement for US dollars, but knows it will be receiving them at a later date, can 'buy and sell' the US Dollars for a period, against the AUD, thereby financing a short term requirement without introducing exchange rate risk. Making the example more specific, if customer needs USD1 million today, but is expecting that amount to arrive in one month, they can effectively borrow the USD and pay in AUD via an FESC. This is an alternative to buying the currency outright, and then selling it as a separate transaction in the future.

The foreign exchange rates that are quoted by us for a first leg date and the end leg date, is not based on a prediction of where the exchange rate will be on the value date but is the "spot rate" (as explained below) plus a "forward margin" which represents the interest rate differential determined by us.

The spot rate is the foreign exchange rate applicable for a date two business days after the trade date (the spot date) adjusted for a buy-sell spread that takes into account the following matters on the trade date:

- spot exchange rate in the inter-bank market (which is the market in which banks transact with each other);

- market conditions, for example, volatility (which is the degree of volatility in the spot exchange rate or forward exchange rate in the inter-bank market);
- an allowance for our costs and risks; and
- the size of the transaction (that is the amounts of the relevant currency pair).

When negotiating an FESC, it is important to identify:

a. the name of the entity in which the contract is to be written (eg the company name, which has an FX limit established with us);

b. the currency pair involved;

c. the first leg date and the end leg date proposed; and

d. which currency amount is to remain constant in the FESC, and whether you are 'buying and selling' that currency or alternatively 'selling and buying' the fixed amount of currency.

Terms and conditions

An FESC is a legally binding bilateral obligation between you and us. Terms and conditions applicable are set out in the letter of offer sent to you by us; set out in the Foreign Exchange Customer Services Application form signed by you; and if one has been executed, the terms of a master agreement (such as the Australian Financial Market Association's Foreign Exchange Master Agreement or the ISDA Master Agreement), or other terms agreed on a case by case basis.

Delivery obligations

Once agreed upon (on the trade date), the FESC defines an obligation of each party to deliver a fixed amount of currency for another at the fixed rate on first leg date and to re-exchange such currency for the other at the fixed rate on the end leg date. How much is deliverable or payable is determined by the commercial terms of the FESC negotiated on the trade date.

How much you pay on the first leg date or the end leg date may be netted off against amounts payable to you by us under the FESC or another transaction between you and us such that the obligation may ultimately become an AUD difference payable by one of us to the other. The ability to net transactions may be governed by the master agreement between you and us (if one has been executed) or other terms agreed on a case by case basis.

Pre-deliveries

You can make arrangements for pre-deliveries for either leg of an FESC. What this means is that, having booked an FESC for a specific first leg date and end leg date, you may wish to effect the exchange of the relevant currencies prior to these dates. In this instance, part of (or the whole of) the delivery obligations under the FESC for one or both legs can be brought forward to a specified date (the pre-delivery date), which will have the effect of reducing the amount of the payment obligations of both you and us on the original first leg date or end leg date as the case may be. The foreign exchange rate for the remaining balance is unchanged, however the foreign exchange rate applicable to the pre-delivered currencies will be based on the original foreign exchange rate adjusted by the interest rate differential determined by us between the two currencies for the period between the trade date and the first leg date or the end leg date as the case may be, and any funding implications for us (for example, additional costs) arising from the early delivery of the relevant leg of the FESC.

Dealing with Bendigo and Adelaide Bank Ltd

We offer FESCs to customers who have a formal "FX limit" in place with us facilitating these transactions, or in some circumstances on a cash secured basis.

You can inform us that you wish to enter into a FESC transaction by contacting our Financial Markets division by telephone, email or fax using the contact details provided at the front of this PDS.

We will send you (by post, email or fax) a confirmation setting out certain details of the transaction entered into between you and us within one business day of receiving your instruction. Within one business day of receiving the confirmation, you must:

a. notify us that you believe that the details of the transaction are not correctly set out in the confirmation, or

b. acknowledge that the confirmation is correct by signing a copy and delivering that copy to us by scanning and emailing it to us or faxing it to us.

The confirmation will be taken to contain correct details of the transaction unless you have notified us of any error you believe the confirmation contains and the confirmation does in fact contain that error.

Significant benefits and risks

Benefits

FESCs are typically used to manage exchange rate risk associated with international trade activity, importing, exporting, and in anticipation of foreign currency accounts receivable and payable. An FESC may also be used as an alternative to depositing or borrowing in foreign currency.

An FESC guards against unexpected movements in exchange rates, and provides a degree of certainty in accounting and budget forecasts.

The decision to utilise an FESC may be driven by the benefits of certainty in pricing, rather than necessarily a view on where rates may move in the future. We do not provide personal advice on possible future direction of exchange rates, but rather general comments regarding markets and factual statements regarding economic conditions and indicators.

Risks

Foreign exchange markets are inherently risky and unpredictable. Before you enter into FESCs, you need to understand the mechanics of financial markets and the possible ramifications of movements (of rates which impact on foreign exchange rates) or other events which impact on the financial markets. These can have significant impact on your obligations under the FESC, including the amount payable by you to us.

Significant risks associated with an FESC include:

Market Risk the risk that movements in exchange rates may adversely affect the owner of the contract. (Normally an FESC will hedge against unexpected movements, however should an underlying exposure such as, an account receivable be cancelled, unwanted risk may arise);

Credit or Counterparty Risk the risk that a counterparty may not be able to meet their obligations;

Basis Risk the risk that a transaction may not fully mitigate the inherent risk due to differences between the FESC and the underlying exposure;

Interest Rate Risk an FESC incorporates an interest rate differential between two currencies for the period between the trade date and the first leg date and the end leg date. If a pre-delivery is required, fluctuations in interest rates between the trade date and the end leg date may adversely impact on the hedge.

It should be noted that either leg of an FESC may become “in the money” or “out of the money” depending on how markets move after the trade date. This does not change the obligation to exchange currency on the first leg date and the end leg date at the fixed rate agreed to on the trade date.

There is no cooling off period applicable to FESCs.

Fees and Commissions

There are no fees or commissions payable with entering into or booking an FESC. We derive a financial benefit through the floating exchange rates applicable to the FESC.

However:

a. There may be a discretionary fee applicable to establish a FX limit. If the fee applies to you, it will be the equivalent to 0.5% of the applicable FX limit.

b. There may also be fees associated with telegraphic transfers and drafts, as follows, which are payable on the delivery dates (whether the first leg date, the end leg date or pre-delivery date):

Telegraphic transfers (international)

Issue of telegraphic transfer (unless you are a Bendigo and Adelaide Bank shareholder, in which case the fee is $15.00).	$30.00

This fee applies if you ask us to transfer funds by telegraphic transfer.

The accepting bank may charge a handling or acceptance fee which may be deducted from the total of funds on receipt.

Return of telegraphic transfer	$25.00

This applies if you request the return payment of a telegraphic transfer. The minimum telegraphic transfer size is A$200.

Bank draft fees

Issue of bank draft (unless you are a Bendigo and Adelaide Bank shareholder, in which case the fee is $5.00)	$10.00
Refund of bank draft	$10.00
Repurchase and reissue of bank draft	$20.00
Stop Payment on bank draft	$25.00

These fees may change. You can find out the current fees at any time by contacting either your foreign exchange dealer or your International Trade Manager.

Privacy

1. This applies if you are an individual or, if you are not an individual, to individuals about whom we collect personal information in relation to your account. You agree to show this clause to all individuals who you have authorised to deal with us in relation to your account.

   We are committed to ensuring your privacy is protected and understand your concerns regarding the confidentiality and security of personal information you provide to us.

2. You can obtain information about privacy in our Privacy Policy which is available upon request at any of our branches or on our website www.bendigobank.com.au

Tax

The information in this section is general information only.

You should consult your own independent professional adviser regarding the tax consequences of acquiring, holding or disposing of FESCs, to take into account your own personal circumstances.

New regime for taxing foreign currency gains and losses

The Australian Commonwealth Parliament has enacted legislation which provides for a new taxing regime in relation to foreign exchange gains and losses on transactions entered into from 1 July 2003 for most taxpayers. (Private or domestic transactions require special consideration as those transactions may be exempt from the new foreign exchange rules).

This legislation also introduces a general translation rule that converts foreign currency denominated amounts into Australian dollars.

In general terms, the new foreign exchange rules may apply to you if certain events (referred to in the tax legislation as "forex realisation events") happen to you. Relevantly, the new rules may apply if you dispose of foreign currency or a right to receive foreign currency, you cease to have a right or obligation to receive foreign currency, or you cease to have a right or obligation to pay foreign currency.

Any forex gain you make as a result of a forex event must be included in your assessable income in the income year in which the forex realisation event happens. Correspondingly, any forex loss you make can be deducted from your assessable income in the income year in which the forex realisation event happens.

The tax implications arising from FESCs are complex. You should consult your own independent professional adviser regarding the tax consequences arising from the new rules to take into account your own personal circumstances.

Tax File Number withholding rules

The Tax File Number withholding rules only apply to certain investments (referred to in this paragraph as "Special Investments") as set out in the income tax legislation. Those withholding rules do not apply to FESCs as those contracts are not Special Investments for the purposes of the Tax File Number withholding rules.

Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF)

We are committed to the regulatory requirements for anti-money laundering and counter-terrorism financing.

To comply with these requirements we may:

- require you to provide to us, or otherwise obtain, any additional documentation or other information;
- suspend, block or delay transactions on your account, or refuse to provide services to you;
- report any, or any proposed, transaction or activity to anybody authorised to accept such reports relating to AML or any other law.

Code of Banking Practice

We have adopted the Code of Banking Practice. The Code of Banking Practice will apply to the FESC if you are an individual or a small business (as defined in the Code of Banking Practice). To the extent of any inconsistency, the FESC is to be read subject to the Code of Banking Practice. If you ask, we will provide you with general descriptive information concerning customer cheques or our banking services. These include:

- account opening procedures;
- our obligations regarding the confidentiality of your information;
- complaint handling procedures;
- bank cheques;
- the advisability of you informing us promptly when you are in financial difficulty so that we may discuss your situation; and
- the advisability of you reading the terms and applying to the relevant banking service.

You should inform us promptly if you are experiencing financial difficulty so that we may discuss your situation.

If you have a complaint

We consider Internal Dispute Resolution (IDR) to be an important and necessary first step in the complaint handling process as it gives us an opportunity to hear when we do not meet our customers' expectations and address them genuinely, efficiently and effectively.

You can raise your complaint with us by:

(a) speaking to a member of our staff directly or your Foreign Exchange Dealer;

(b) telephoning **1300 BENDIGO** (1300 236 344);

(c) website www.bendigobank.com.au/public/contact-us

(d) secure email – by logging into e-banking

(e) writing to your Foreign Exchange Dealer, providing as much information as possible about the situation and enclosing any relevant documentation

(f) social media

(g) telephoning the Customer Feedback Team on:
1300 361 911
8:30am – 5:00pm (AEST/AEDT)
Monday to Friday;
Email: feedback@bendigoadelaide.com.au

If you are not satisfied with the response provided you have the option of referring the matter to the Customer Advocate who will impartially assess your complaint, keep you informed of the progress and provide you with a response.

i) telephone - 1300 139 572 (+61 3 5485 7919)
between 8:30am and 5:00pm (AEST/AEDT),
Monday to Friday

ii) email - customeradvocate@bendigoadelaide.com.au

iii) post/letter – write to Customer Advocate, P.O. Box 480, Bendigo, VIC 3552

Alternatively (or following consideration by the Customer Advocate) you may refer your complaint directly to the appropriate External Dispute Resolution scheme.

We are a member of the Financial Ombudsman Service. You can contact the Ombudsman at:

Financial Ombudsman Service Australia
GPO Box 3
Melbourne VIC 3001
Telephone: 1800 FOS AUS (1800 367 287)
Fax No: (03) 9613 6399
Website: www.fos.org.au
Email: info@fos.org.au

Joint accounts

This paragraph applies if an FESC is in two or more names jointly.

You may choose to operate the FESC jointly with other persons or entities. If you do, your liability under these terms and conditions is both joint and several. This means that each of you is liable both on your own and together for the whole of any debit balance on the FESC. You should carefully consider any arrangement which involves you becoming a joint FESC holder.

It is up to you and the other joint FESC holder(s) to specify how many of you must sign in order to operate a joint FESC. FESC operating instructions are part of your contract with us and may only be altered by written notification to us, signed by each party to the joint FESC.

Contact us

In person	At your nearest Bendigo Bank branch
On the phone	Call FX Dealing Room 1800 061 783
Online	At bendigobank.com.au
By mail	The Bendigo Centre PO Box 480 Bendigo VIC 3552

Bendigo and Adelaide Bank Limited, The Bendigo Centre, Bendigo VIC 3550 ABN 11 068 049 178. AFSL No. 237879.

(V010) BEN50PD009 (23/05/2018)