20 January 2014

Bendigo and Adelaide Bank announces institutional subordinated debt issuance

Bendigo and Adelaide Bank Limited (BEN) has today announced the marketing of a new subordinated debt issuance to institutional investors. The subordinated debt will be a fully paid, redeemable, subordinated and unsecured debt obligation of BEN. BEN is seeking to raise approximately $200 million, with the ability to raise more or less.

The principal terms of this subordinated debt issuance are as follows:

- Notional face value of $10,000 per instrument
- Floating interest rate (3 month BBSW + margin) with interest payable quarterly in arrears (unless BEN is not, or will not be as a result of the payment, solvent)
- The Maturity Date is 10 years (January 2024)
- BEN may redeem the instruments earlier than the Maturity Date in certain circumstances (subject to APRA's prior written approval[1])
- Holders have no right to request redemption

Other terms are customary for instruments of this type. The margin will be determined by a bookbuild process.

The subordinated debt will qualify as Tier 2 Capital under the Australian Prudential Regulation Authority's (APRA) Basel III capital adequacy framework. In accordance with this framework, a key feature of the subordinated debt is that it will convert into ordinary shares in BEN (ASX: BEN) if APRA determines at any time that BEN is, or would become, non-viable (known as a 'Non-Viability Trigger Event') and the conversion or write-off of relevant Tier 1 capital instruments of BEN does not satisfy the requirements of the APRA determination.[2] "Non-viability" is not defined in the Prudential Standards and APRA has not provided any guidance on how or when it would determine whether a Non-Viability Trigger Event has occurred. If the subordinated debt is converted into ordinary shares of BEN, the holdings of current shareholders in BEN would obviously be diluted.

The proceeds from the subordinated debt issue will be used to supplement BEN's regulatory capital requirements.

BEN is not seeking (or required to seek) shareholder approval in relation to the proposed subordinated debt issue.

Goldman Sachs, Nomura Australia Limited and National Australia Bank Limited are each Joint Lead Managers for the transaction. Allens acted as legal adviser to BEN in connection with the subordinated debt issuance.

[1] There can be no certainty that APRA would provide its approval in respect of any such redemption.

[2] In summary, the number of ordinary shares an investor will receive on conversion is calculated based on a discounted volume weighted average price, subject to a cap to limit dilution. If BEN is prevented for any reason from converting the subordinated debt into ordinary shares and conversion has not been effected within 5 business days after a Non-Viability Trigger Event, the subordinated debt will be written off. If the subordinated debt is written-off, investors will lose some or all of the value of their investment. Investors may also suffer loss to the extent that subordinated debt is converted.

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Bendigo and Adelaide Bank

Further details

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