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Bendigo and Adelaide Bank agrees to buy Rural Finance's business and assets for \$1.78 billion

Key points

- Bendigo and Adelaide Bank to acquire business and assets of Rural Finance Corporation of Victoria
- Purchase price of approximately \$1.78b
- EPS and ROE accretive
- Completion date of early to mid July, 2014
- BEN announces equity raising – \$230m fully underwritten placement, and SPP to be launched in May 2014

Bendigo, Monday 5 May 2014: Bendigo and Adelaide Bank (BEN) has strengthened its commitment to rural and regional customers, by agreeing to buy the business and assets of Rural Finance Corporation of Victoria (Rural Finance).

The purchase was formalised with the Victorian State Government earlier today, and will be for all the assets and business of Rural Finance, including its loan book, which will have an estimated value of approximately \$1.695 billion, at the proposed completion date of early to mid July, 2014.

BEN will pay about \$1.78¹ billion and has committed to maintaining Rural Finance's distinct brand and its presence in 11 locations across Victoria.

Bendigo and Adelaide Bank managing director Mike Hirst said the purchase reflected BEN's ongoing commitment to grow its agri-capability and support for rural and regional customers.

"This transaction brings together two iconic Victorian businesses, both with long and proud histories of serving farmers and communities," Mr Hirst said.

"In particular we're pleased that the skilled and experienced staff at Rural Finance will join our organisation, and continue to assist their clients.

"Rural Finance will work together with our existing specialist agricultural business, Rural Bank, to serve more than 5,200 farmers across Victoria – with a loan book in excess of \$2.4 billion."

As part of the sale the Bank proposes to maintain Rural Finance's range of community-based programs, including its Young Farmer Finance Scheme, and the administration of farmer and exceptional circumstances assistance programs on behalf of the Government.

"The Rural Finance business and strategy aligns perfectly with our community values and long-stated goal of being the most customer connected bank in Australia," Mr Hirst said.

"We are confident that bringing this business under our umbrella will result in a broader and more dynamic offering to Victorian farmers, and we look forward to continuing to invest in the agricultural sector and our regional communities."

¹ Based on an expected loan balance of \$1.695 billion at the proposed completion date of early to mid July, 2014

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The acquisition is subject to APRA approval and completion is expected to occur in early to mid July 2014.

Allens is acting as legal advisor to BEN on the capital raising and acquisition.

Equity raising

BEN is undertaking a fully underwritten \$230m share placement to selected institutional investors. In addition, all shareholders will have the opportunity to participate in a non-underwritten share purchase plan (SPP) in May 2014.

Following the acquisition, institutional placement and SPP, BEN's pro-forma Tier 1 capital ratio would have been approximately 9.10pc and common equity Tier 1 ratio 7.86pc² at 31 March, 2014.

Trading in BEN shares on the ASX will be halted while the share placement is undertaken. Trading is expected to recommence on Tuesday, 6 May 2014 following the announcement of the outcome of the share placement. The placement shares will rank equally with all existing fully paid ordinary shares in the capital of BEN.

Following the institutional placement, BEN will offer eligible shareholders the opportunity to participate in a non-underwritten SPP. The SPP will provide eligible ordinary shareholders (being those persons registered as ordinary shareholders as at 7pm (AEST) on 2 May 2014 who reside in Australia or New Zealand) with the opportunity to subscribe for up to \$5,000 of new BEN ordinary shares. Further details of the SPP will be provided to eligible shareholders in due course.

Teleconference:

You can dial in and listen to the presentation from 12.00pm (AEST). If you would like to ask a question stay on the line for question time.

Dial 1800 801 825 and use the conference ID 7188721 to listen to the announcement and ask questions. If calling from overseas dial +61 2 8524 5042.

An audio replay of the call will also be available for 7 days. Dial 1800 008 585 and use the conference ID 7188721 to access this audio replay. If calling from overseas to access this audio replay dial +61 2 9641 7900.

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² Pro-forma capital ratios based on a 31 March 2014 figure of 9.03pc Tier 1 and 7.72pc common equity Tier 1. Assumes \$50m SPP.

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This announcement contains certain "forward-looking statements". The words "will", "expect", "forecast", "propose", "continue", and other similar expressions, including statements regarding the effects of the acquisition of Rural Finance Corporation of Victoria, are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of BEN that may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. You are cautioned not to place undue reliance on forward-looking statements. Such forward-looking statements only speak as of the date of this announcement and BEN assumes no obligation to update such information.