



30 July 2009

Company Announcements Office
Australian Securities Exchange

Elders Rural Bank – Full year Profit Announcement

Please find attached a media release from Elders Rural Bank Limited, a joint venture between Elders Limited and Bendigo and Adelaide Bank Limited, announcing the bank's full year profit for the year ended 30 June 2009.

Ross Mallett
Company Secretary

Elders Rural Bank

Committed to Agribusiness

Media Release

30 July 2009

Full Year Profit Announcement

Elders Rural Bank has posted a Net Profit after Tax of \$45.1 million for the year ended 30 June 2009. The result represents a 10% increase on the prior year's result of \$41.1 million.

Managing Director, Paul Hutchinson noted that the Bank's performance in the demanding financial climate of 2009 had highlighted the quality of the loan book and the strength of the Bank's funding composition, which comprises over 95% in retail deposits.

"Our funding mix has always been a great strength of the Bank. In recent years, we have also been very successful in generating retail deposits from metropolitan areas, which now represent 40% of our funding base," Mr Hutchinson said.

Loans under management at 30 June of \$3.679 billion were slightly higher than last year's figure of \$3.650 billion. Total deposits of \$3.753 billion were also slightly higher than the prior year.

The net interest margin of 2.07% was relatively stable compared to the 2008 financial year (2.05%). Whilst loans under management and interest margins were relatively stable, net interest income has been boosted by the increase in average loans and investments which were \$500m higher than the 2008 average.

Mr Hutchinson noted that the general appetite for credit had reduced in the market place and that this was the principal factor in driving lower loan growth when compared to prior years.

"Despite the fact that the prospects for the agricultural sector remain positive, many farmers' willingness to take on additional debt has been tempered due to the current economic climate. Furthermore, the Bank has continued to be very selective in ensuring that the credit quality of new business was of a high standard," Mr Hutchinson said.

Mr Hutchinson stated that the agricultural sector remained a highlight for the general economy.

"Agricultural commodity prices have tended to hold up well which has been further supported by widespread rainfall across much of the country. Farm input prices such as diesel, chemical and fertiliser have also declined which has resulted in most forecasters predicting improvements in farm profitability and cashflow," Mr Hutchinson said.

Elders Rural Bank's ratio of net non-performing loans to gross loans under management increased to 0.62% (2008: 0.33%). Despite the increase, Mr Hutchinson stated that the result was pleasing as the increase was solely due to a single account which had been sufficiently provided for in the accounts. Adjusting for the account, net non-performing loans improved to 0.27%.

"Our underlying credit performance remains outstanding. The strength of the Bank's credit competency coupled with its deep knowledge of the rural sector continue to be important elements in driving strong credit quality outcomes for the Bank," Mr Hutchinson said.

Mr Hutchinson said the Bank's financial performance had also been confirmed by Standard & Poors which had affirmed ERB's investment grade credit rating of BBB/Stable/A2 during the year.

As previously advised, Elders Rural Bank will be changing its name to Rural Bank with the official change scheduled to occur next month. The change in name principally reflects the growing size and independence of the Bank's business activities and the increase in Bendigo and Adelaide Bank's shareholding in ERB to 60%. In addition to its ongoing use of the Elders Rural Services network, the name change will also allow the Bank to develop additional distribution channel relationships.

"The brand change is part of the ongoing development of the Bank. Our operating model has been highly successful to date and we will not be changing those elements which have contributed to the Bank's success, such as our special relationship and proximity with the rural sector. However, the change does reflect the continued growth of the Bank and better positions it for further strategic opportunities moving forward," Mr Hutchinson said.

Elders Rural Bank continued to be recognised in the market for offering outstanding financial products. *Money* magazine awarded the Bank a Best of the Best Award for its ERBonline Term Deposit product in the "Best Term Deposit – Short Term" category. Mr Hutchinson said the awards recognised the superior returns and functionality of the Bank's products.

Mr Hutchinson thanked the customers, staff of Elders Rural Bank and its shareholders for their ongoing commitment and support.

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