



Wednesday, 28 November 2018

Elders enters into new arrangements with Rural Bank

Elders (ASX:ELD) announces that it has reached agreement with Rural Bank, a wholly owned subsidiary of Bendigo and Adelaide Bank (ASX:BEN), on the terms of a new exclusive relationship which, subject to satisfaction of certain customary conditions precedent, will take effect from 4 March 2019.

Rural Bank obtained its banking authorisation in 2000 when it was a 50/50 joint venture between Elders and Bendigo Bank. Elders sold its shareholding in Rural Bank to Bendigo Bank over 2008 and 2010 but has continued to distribute loan and deposit products to rural and regional customers on Rural Bank's behalf since then.

From 4 March 2019, the current agreement between Elders and Rural Bank will be replaced with a new relationship agreement with a 9 year term. Termination for convenience rights exist for both parties at the end of years 3 and 6. Rural Bank will make a payment to Elders based on certain fees received by Elders from Rural Bank as at the date of termination or expiry if Rural Bank terminates for convenience or due to a material change in the law, and at the end of the term.

The new agreement will see Elders' accredited branch staff continuing to handle deposits and provide transactional banking services to Rural Bank customers. More complex banking needs, including term and seasonal loans, will be fulfilled by approximately 95 Agri Finance relationship managers and support staff currently employed by Elders but who, under the new arrangements, will be employed by Rural Bank. While no longer employed by Elders, these staff will continue to operate from Elders' branches and provide local agri-banking services to Rural Bank clients. Elders and Rural Bank are working towards a well-managed transition to ensure minimal impact to existing client experience and service.

Under the new agreement, Elders' first full year of annualised earnings before interest and tax from its relationship with Rural Bank is expected to be in the range of 5% to 10% greater than earnings from that relationship in FY18.

Elders CEO and Managing Director, Mark Allison, said, "Elders is confident the new arrangements are in the best interests of customers, employees and shareholders alike.

"For customers, it will largely be business as usual and there will be no change to their banking arrangements or facilities and they will continue to be served by the same, locally based, agri specialist relationship managers.

"For our banking staff, the new arrangement will provide direct employment by Rural Bank, with the benefits of specialisation and the dedicated focus of a bank.



“For Elders and its shareholders, the new arrangement provides a secure revenue stream with growth potential.

“This agreement enables Elders to offer a specialist financial service while delivering on our Eight Point Plan, namely focusing on our competitive advantage as a pure-play agribusiness.

“Elders looks forward to commencing the next era of its long and successful partnership with Rural Bank and together, ensuring that Australia’s primary producers can access the financial capital and services they require to build and operate prosperous agricultural enterprises.”

Further information

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