

## **Bendigo and Adelaide Bank agrees to acquire residential mortgage portfolio from Keystart**

- Portfolio of approximately \$1.35 billion of standard residential loans based in Western Australia
- Selected from Keystart's total loan book of approximately \$4 billion.
- Customers in the portfolio have on average five years of repayment track record
- Bank announces equity raising – Share Purchase Plan to be launched in October 2016

**Thursday 29 September 2016:** Bendigo and Adelaide Bank has agreed to purchase approximately \$1.35 billion of standard residential home loans from Keystart Housing Scheme Trust by equitable assignment.

The purchase was formalised with the Western Australian State Government today and will be completed by early December 2016.

Bendigo and Adelaide Bank Managing Director Mike Hirst said the acquisition demonstrates the Bank's commitment to Western Australia.

"We are delighted to be able to work with Keystart and the Western Australian Government to support this important lending program for home buyers in Western Australia," Mr Hirst said.

"The acquisition complements our existing business in Western Australia and improves our geographic diversification by increasing the proportion of our loan book in Western Australia from approximately 11 to 13 percent. We will also have potential to provide 6,000 Keystart customers with a range of complementary products and services.

"Keystart has a long and successful history of providing residential loans to customers who satisfy rigorous serviceability criteria but do not have sufficient initial savings for a deposit.

"These customers have proven to be very reliable in repaying their loans and Keystart has an outstanding record of low losses compared to the broader market.

"The customers in the portfolio we are acquiring have, on average, a track record of meeting their loan repayments for more than five years. We will not be acquiring any loans that are more than one month in arrears.

"We strongly believe that the values of Keystart and the Bank are very much aligned, particularly in relation to providing tangible benefits to the local communities in which we operate.

"We are looking forward to developing a long term relationship with Keystart and its customers," he said.

The transaction will be ROE and EPS accretive for the Bank.

Further information on Keystart and the portfolio of loans being acquired is set out below.

**Facts about the acquired Keystart portfolio**

- Portfolio of approximately \$1.35 billion residential loans and 6,000 customers
- Purchase price at a premium of 0.2% or approximately \$2.7 million
- Average loan size: approximately \$225,000
- All variable rate loans
- All owner occupied loans
- No interest only loans
- Weighted average seasoning: 64 months
- Weighted average LVR: 84%
- No Lender's Mortgage Insurance
- 67% Perth, 33% regional Western Australia.
- Limited exposure to mining by geography and occupation, 0.4% of loans domiciled in Pilbara/Kimberley.
- Keystart will continue to service the customers on behalf of the Bank

**Facts about Keystart**

- Wholly owned by Western Australian Government
- Customers are typically first home buyers who do not have sufficient initial savings for a deposit.
- The Keystart loan is designed to be a transitional product, with approximately 80 to 90% of Keystart customers refinancing to a mainstream lender over time
- Full documentation owner occupied loans
- Approved loans for approximately 60,000 households for more than 27 years
- Total loan book of approximately \$4 billion with approximately 18,000 customers
- Keystart has approximately 18% of the first home buyer market in Western Australia
- Keystart has a strong and consistent record of low arrears and loan losses

**Share Purchase Plan**

Bendigo and Adelaide Bank will undertake a non-underwritten Share Purchase Plan (SPP) in October 2016, the proceeds of which will go towards maintaining the Bank's strong capital base.

The SPP will provide eligible ordinary shareholders (being those persons registered as ordinary shareholders as at 7pm (AEST) on 28 September 2016 who reside in Australia or New Zealand) with the opportunity to subscribe for new BEN ordinary shares.

Further details regarding the SPP will be provided to eligible shareholders in due course.

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