



**Elders Rural Bank**  
Committed to Agribusiness

**Media Release**

**11 October 2004**

## **Elders Rural Bank recognised internationally with investment-grade credit rating**

In just its fifth year of trading, Elders Rural Bank has been assigned an internationally-recognised investment-grade credit rating by Standard & Poor's Rating Services.

Standard & Poor's, the world's foremost provider of independent credit ratings, announced today that Elders Rural Bank had been assigned BBB- long-term and A-3 short-term counterparty credit ratings.

The investment-grade credit rating assigned by Standard & Poor's reflects Elders Rural Bank's sound niche market position in the Australian rural banking sector, as well as its earnings profile and well diversified funding base.

The credit ratings represent a significant achievement for Elders Rural Bank, a joint venture between Futuris Corporation Limited (parent company of Elders Ltd) and Bendigo Bank Limited.

According to Elders Rural Bank Managing Director Bob Jones, the credit ratings formally recognise, on a global scale, the top class portfolio of products and services offered by the Bank through a network of more than 500 Elders, Bendigo Bank and Bendigo's Community Bank® branches throughout Australia.

"The announcement by Standard & Poor's clearly demonstrates that Elders Rural Bank is now deemed to be an institution of international quality," Mr Jones said.

"These credit ratings are recognised worldwide and therefore give the Bank a global benchmark with respect to its financial capacity."

Mr Jones said the credit ratings assigned to Elders Rural Bank would provide potential and existing customers with a sense of reassurance and satisfaction.

"They know they are dealing with a bank that is not only committed to rural and regional Australia, but one that has now been internationally noted for its creditworthiness. And much of the credit for this endorsement must go to the Bank's ever-growing team of dedicated and professional staff and management throughout Australia."

Elders Rural Bank Chief Financial Officer Stuart Price said an investment-grade credit rating was significant, as it would assist in attracting new deposits from sectors of the financial market previously restricted from investing in Elders Rural Bank.

“Many investors require an institution to have an investment-grade credit rating before they can invest their money with particular organisations,” Mr Price said.

“Attracting these new deposits will therefore enable Elders Rural Bank to continue supporting rural and regional Australia by having more funds available to lend to the nation’s primary producers.”

Since being granted its banking licence in 2000, Elders Rural Bank’s customer base has grown every year on the back of its commitment to rural Australia. In August this year, the Bank announced its fifth successive increase in annual profit.

“We think the understanding that every cent deposited with Elders Rural Bank will be re-invested to support primary producers has been integral to the Bank’s success,” Mr Jones said.

“One of the major strengths of our bank is its widespread representation in rural areas. The local representation means a great deal to farmers, as they can be sure that the bank understands first-hand the challenges being faced every day.”

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## Press Release

### **Elders Rural Bank Ltd. Assigned Investment-Grade 'BBB-' Rating**

Melbourne, Oct. 11, 2004—Standard & Poor's Ratings Services said today that it has assigned its 'BBB-' long-term and 'A-3' short-term counterparty credit ratings on Elders Rural Bank Ltd. (ERB). Formed in 1999 as a joint venture between Futuris Corp. Ltd. (Futuris; not rated) and Bendigo Bank Ltd. (Bendigo; BBB/Positive/A-2), ERB lends exclusively to the Australian rural sector. The outlook on the long-term rating is stable.

"The investment-grade ratings on ERB reflect its sound niche market position in the Australian rural banking sector, offset somewhat by its exposure to the volatile agricultural commodity sector," said Standard & Poor's credit analyst, Craig Bennett, Financial Services Ratings.

"The bank successfully leverages off its direct access to Futuris' wholly owned subsidiary; Elders Australia Ltd.'s (Elders; not rated) large rural customer base, while ERB's solid asset quality has benefited by leveraging off Bendigo's banking system and risk management infrastructure, and ERB's extensive credit experience, policies and practices," said Mr. Bennett. The ratings also reflect ERB's sound earnings profile, and reasonably well-diversified funding base.

"ERB's credit profile, however, is constrained by its rural sector concentration, which is regarded as a higher risk and more volatile lending sector, despite the bank's favorable recent asset quality," added Mr. Bennett. Also moderating its credit profile is the bank's relatively small absolute capital size, which limits its ability to contend with one-off or unforeseen risks. Although ERB's credit profile benefits from its joint venture owners, no direct rating benefit has been afforded to the credit ratings on the bank. Standard & Poor's, however, views ERB as being more strategically important to Elders, given the name association and shared customer base.

"ERB is expected to successfully maintain its favorable asset quality position, which has proven resilient through the recent drought conditions—the worst in 104 years," said Mr. Bennett. "The bank's level of earnings is likely to benefit from asset growth, although its net interest margin may come under pressure as competition increases for both loans and, to a lesser extent, funding," Mr. Bennett added.

Despite its stable and growing, predominantly retail, deposit base, which is supplemented by good access to both the semiprofessional and subordinated debt markets, the bank's access to wholesale funding markets is very limited, and this may constrain its ability to fund future business growth. "Absolute capital size is relatively small at A\$152 million, with the capital adequacy ratios, relative to its risk, consistent with the bank's investment-grade credit standing," noted Mr. Bennett. The bank's capital resources benefit from regular capital injections by its joint parents Futuris and Bendigo, when required.

#### **About Standard & Poor's**

Standard & Poor's is the world's foremost provider of independent credit ratings, indices, risk evaluation, investment research, data, and valuations. With 6,000 employees located in 21 countries, Standard & Poor's is an essential part of the world's financial infrastructure and provides investors with the independent benchmarks they need to feel more confident about their investment and financial decisions. In Australia, we have been voted INSTO "Rating Agency of the Year" for the fourth year running. For more information, visit [www.standardandpoors.com.au](http://www.standardandpoors.com.au).

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