Bendigo and Adelaide Bank

Investor day

23 May 2024

01
Introduction

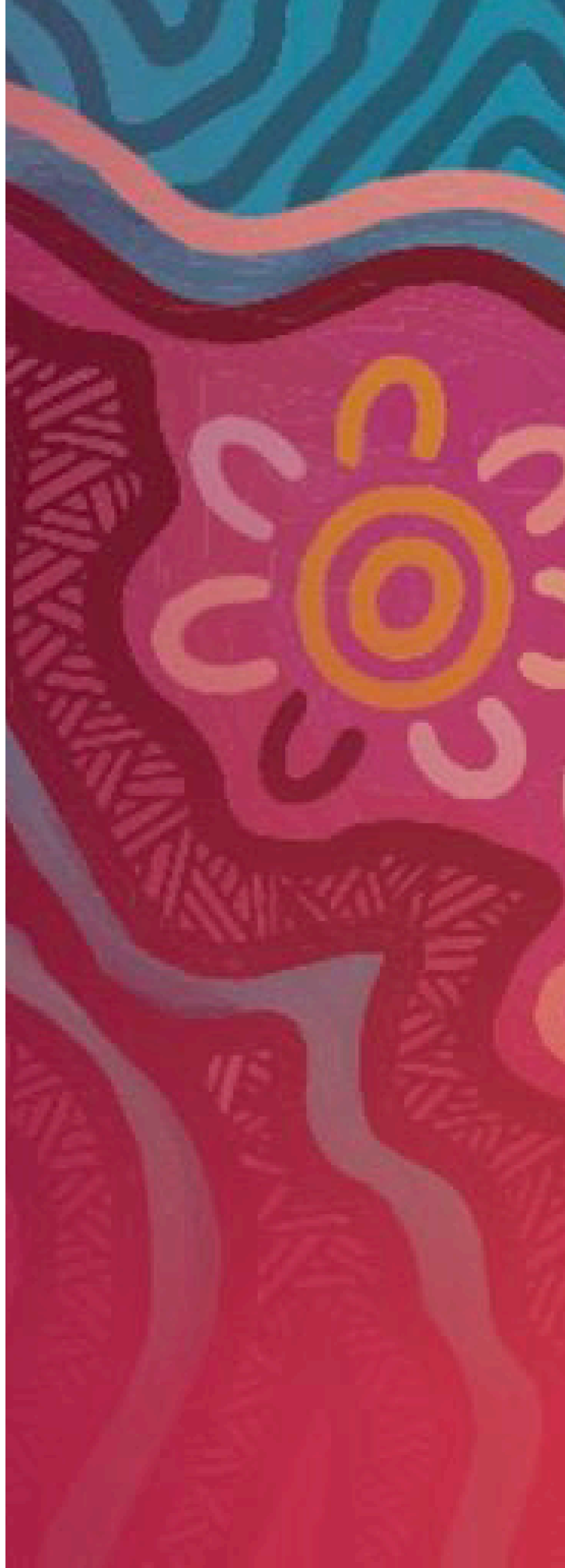
Sam Miller, General Manager Investor Relations & ESG

Acknowledgement of Country

I would like to begin today by acknowledging the Traditional Custodians of the many lands that we are gathered on.

Specifically, I would like to respectfully acknowledge the Gadigal Peoples of the Eora Nation. I would also like to acknowledge the Traditional Custodians of the lands which each of you are living, learning and working from.

I pay my respects to Elders past and present and extend that respect to any Aboriginal or Torres Strait Islander people here with us today.



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Sam Miller, General Manager
Investor Relations & ESG

02

BEN's Strategy

Marnie Baker, Chief Executive Officer and
Managing Director

03

Transformation execution

Ryan Brosnahan, Chief Transformation Officer

04

Breakouts & Highlights

Business & Agri

Adam Rowse, Chief Customer Officer
Business & Agri

Veronica Viola, General Manager Strategy,
Transformation & Execution

Bendigo Lending Platform

Richard Fennell, Chief Customer Officer, Consumer

Janelle Wehsack, Lead Bendigo Lending Platform

Darren Kasehagen, General Manager Third Party Banking

Up

Xavier Shay, Chief Executive Officer, Up

Ryan Brosnahan, Chief Transformation Officer

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Pathway to target ROE

Andrew Morgan, Chief Financial Officer

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Q&A Session

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Closing

Marnie Baker, Chief Executive Officer
and Managing Director

02
BEN's strategy

Marnie Baker, Chief Executive Officer and Managing Director

Marnie Baker

Chief Executive Officer and Managing Director

Ryan Brosnahan

Chief Transformation Officer

Andrew Morgan

Chief Financial Officer

Louise Tebbutt

Chief People Officer

Taso Corolis

Chief Risk Officer

Richard Fennell

Chief Customer Officer, Consumer

Adam Rowse

Chief Customer Officer, Business & Agri

Bruce Speirs

Chief Operating Officer

Strength
Balance sheet

Capability
People, infrastructure and risk management

Differentiation
Trust, community and regional values

Shaping the future of banking — our strategy

For our customers, our people, partners, communities and shareholders

Vision	**Australia's bank of choice**
Purpose	**To feed into prosperity, not off it**
Imperatives	**Reduce complexity** · **Invest in capability** · **Tell our story**

Optimisation

2024 | 2027 | 2028

Reduce complexity

Continued investment in core technology
Data cloud migration; Business and Agribusiness; Productivity

Invest in capability

Leveraging digital capability
Up; Digital deposits; Bendigo Lending Platform

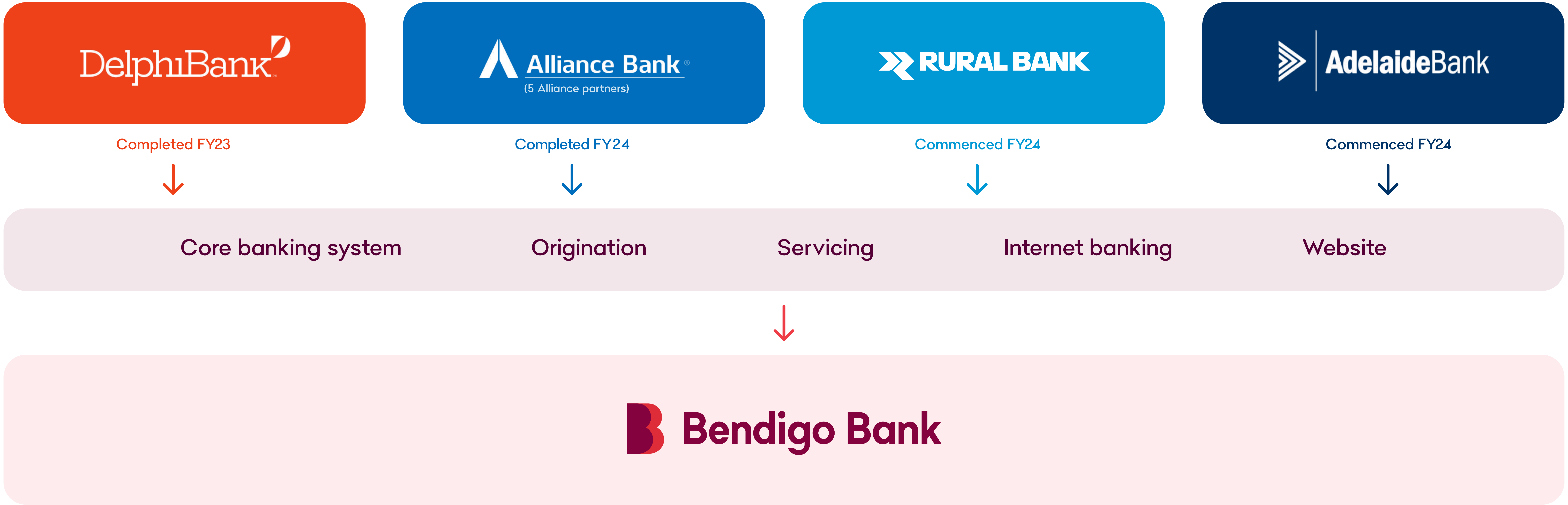
Tell our story

Build on our advocacy to help support growth
Leverage advocacy in Bendigo brand to deepen share of wallet and reduce acquisition costs;
Better leverage the Community Bank Model for Business and Agri

03
Transformation execution

Ryan Brosnahan, Chief Transformation Officer

Reducing complexity — from many to one



Customer benefits

- Access to broader product range
- Increased service offering via branches, phone and web
- Enhanced digital experience
- Easier to deal with
- Ongoing investment in customer experience

Business benefits

- Unlocks power of Bendigo brand advocacy
- Increased efficiency through one central system
- Improved risk profile
- Standardisation of processes and products
- Cost out and avoidance

Up – Internet Banking utilises the Bendigo core system. Up is not represented in this slide.

Modernising our technology — building an agile and efficient bank

~50% reduction

650 → 328 applications

43% migrated

1% → 43% applications

54% API reuse

0% → 54% applications

The data above reflects: 1 April 2020 to 30 April 2024

IT Application simplification

~50% reduction in number of supported business applications through enterprise solutions.

Cloud migration

187 business applications have been migrated or established in Cloud realising inherit benefits such as scalable performance and resilience.

API Modernisation

182 API enabled applications, unlocking seamless, secure information sharing to both internal and external consumers.

Accelerating our digital capabilities — digitising key customer journeys

Business lending

Everyday banking

Home lending

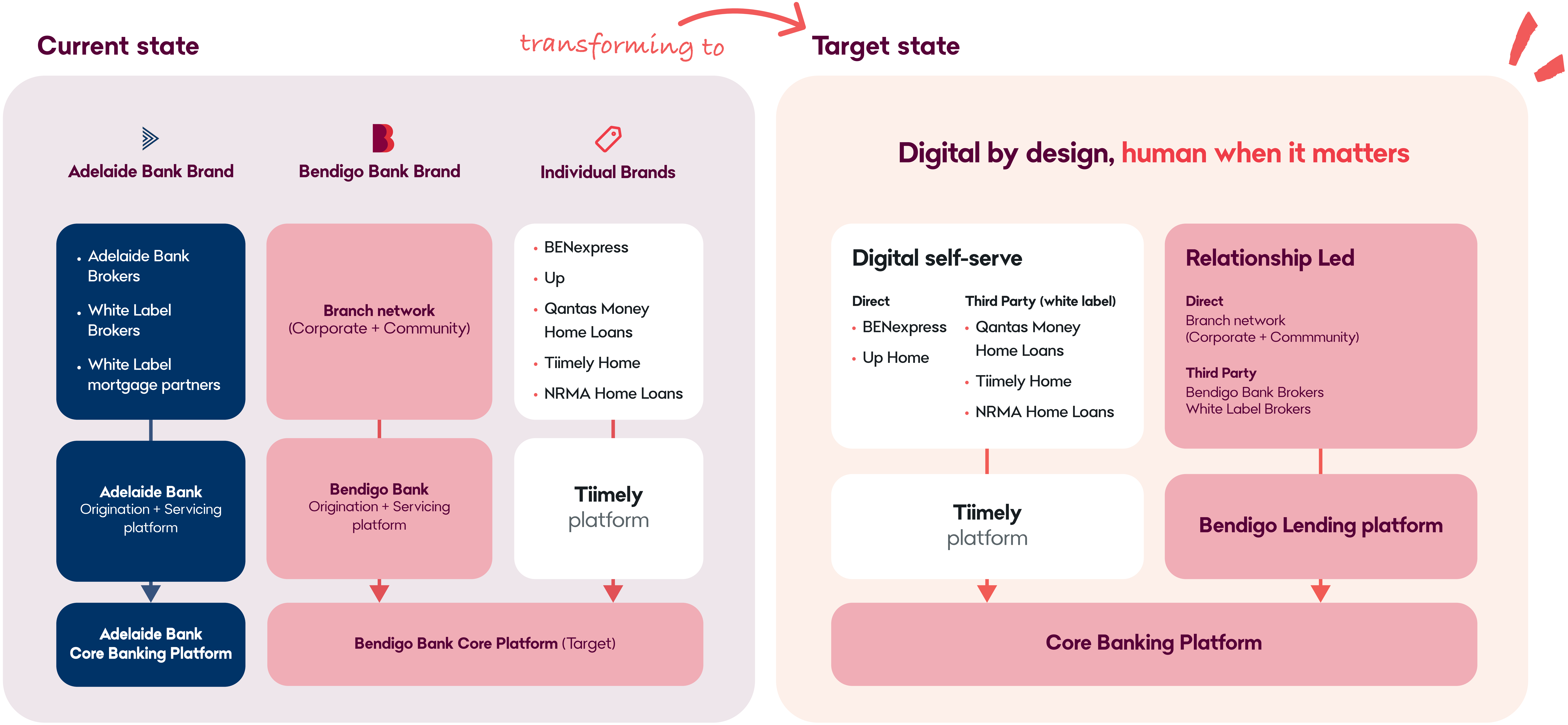
Saving

Bendigo Bank

'Digital by design, human when it matters' experience

Market leading digital-only experience

Accelerating our digital capabilities — mortgage channels

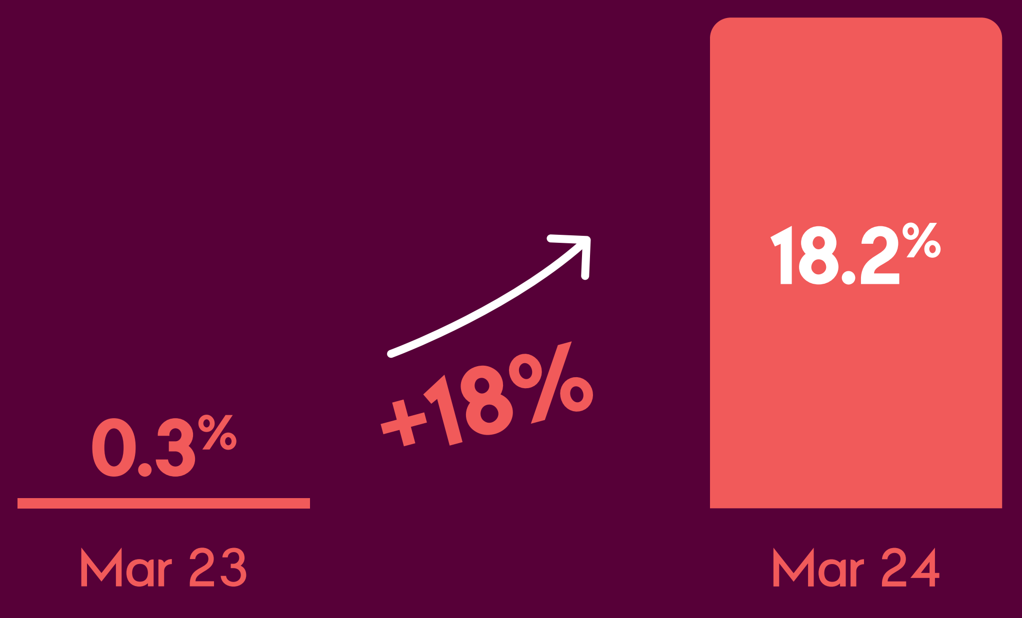


Shared digital capability

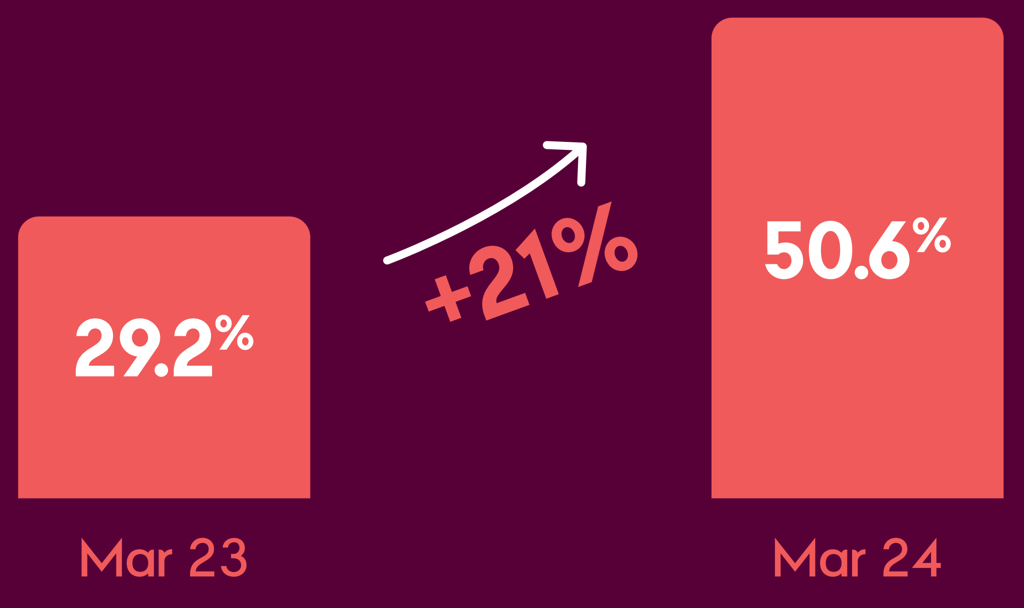
powering all our channels

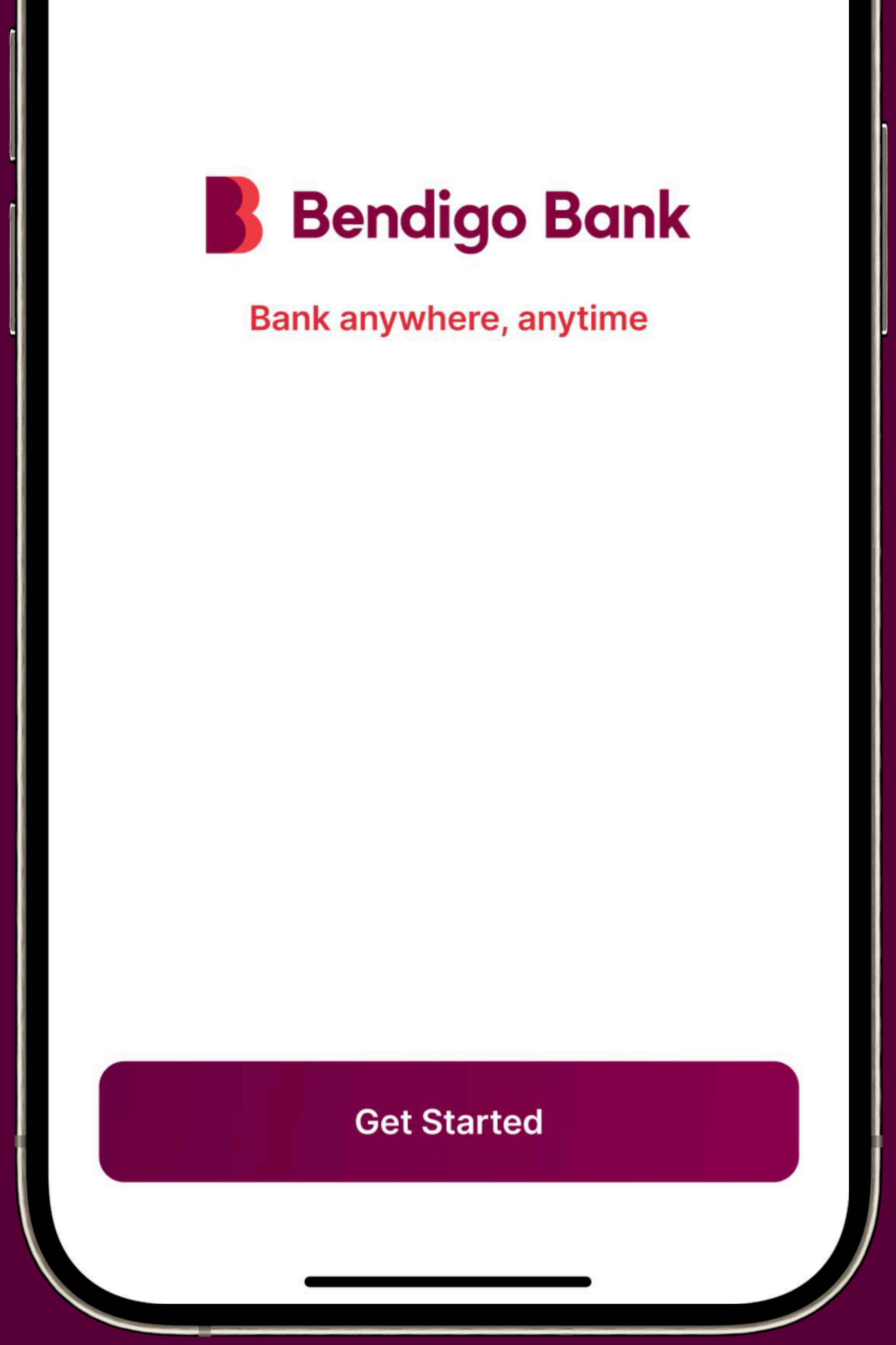
Accelerating our digital capabilities — sales

Digital term deposit account growth



Digital savings account growth





In-app 'join the bank' experience coming next

04
Business & Agri

Adam Rowse, Chief Customer Officer Business & Agri
Veronica Viola, General Manager Strategy, Transformation & Execution

We haven't kept pace with commercial lending growth

Our customers and propositions

Limited capability to support a shifting customer preference to digital and broker channels.

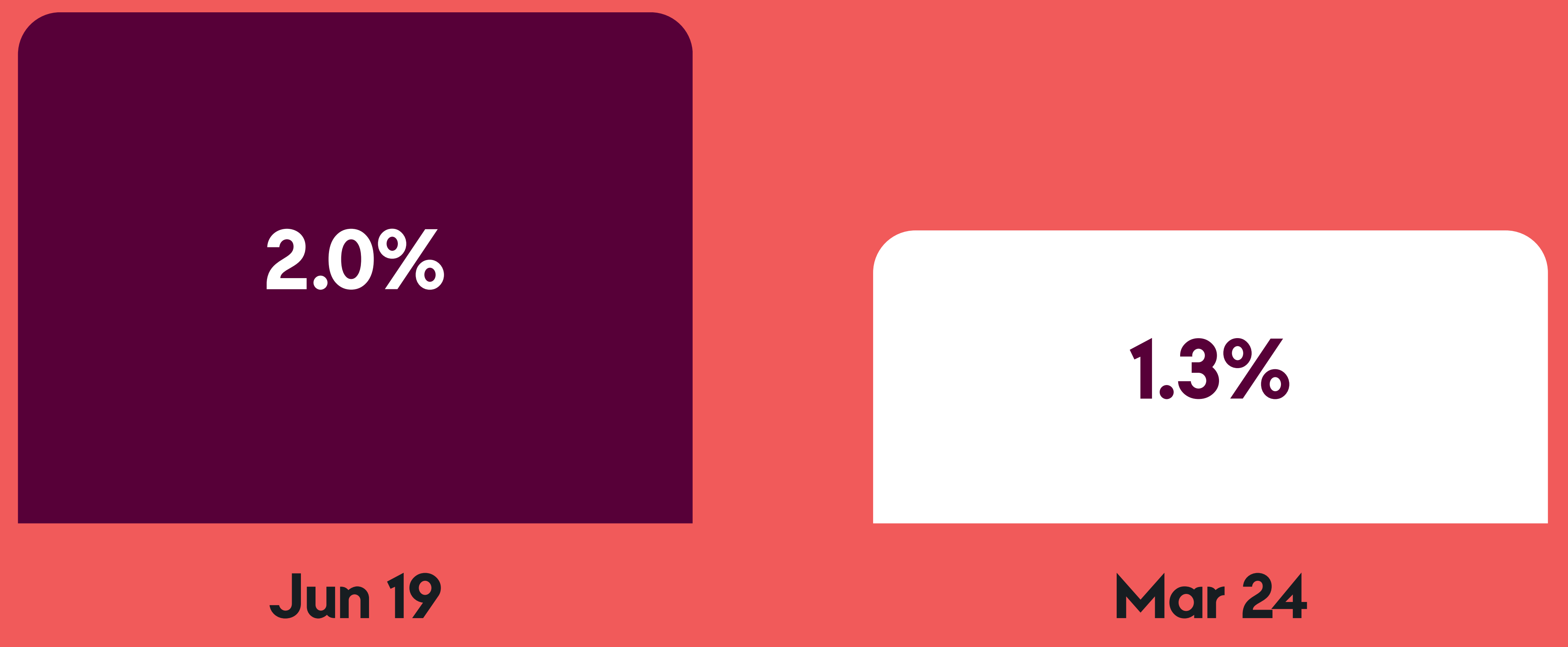
Our people

Customer facing bankers completing the full customer experience reducing the ability to scale.

Our systems and processes

Fragmented systems and processes contributing to slower turn-around times and manual processing effort.

BEN market share — non-financial businesses[1]



[1]APRA Monthly Authorised Deposit-Taking Institution Statistics March 2024.
BEN market share calculated by dividing BEN's portfolio by total of all ADI's for the relevant asset.

We have identified our key growth markets and where we will focus our energy

Trusted brand

Our brand, and community and regional connections are enviable strengths to grow from.

Deepen relationships

Making it easier for our existing customers to access our products and services represents a material opportunity.

Customer advocacy

We are proud to be a 'relationship bank', and know how customers want to engage with their bank is changing.

Growing with customers

We believe in supporting the microbusinesses of today to achieve their goals and become the SMEs of tomorrow.

Micro	Property
SME	Agribusiness

We resonate strongly with Australian microbusinesses, currently banking circa 9%.

Circa 50% of Australian businesses access lending products via a broker.

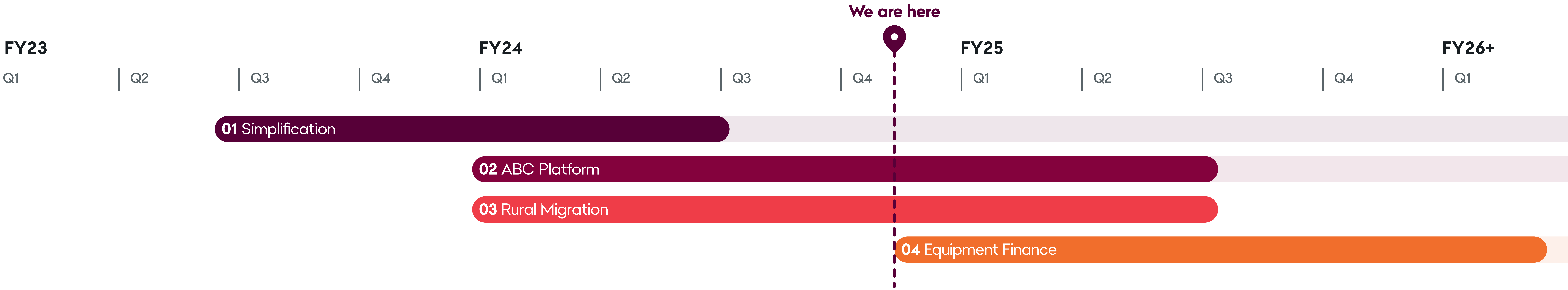
We are building a sustainable business and agri bank, investing in the foundations

01
Simplification
Operating model readiness, simple policy and process improvements.

02
ABC Platform
Implement market leading CRM and origination platform from Salesforce and nCino.

03
Rural migration
Consolidate core systems, e-banking platforms and CRM.

04
Equipment finance
Implement new EF platform and accelerate growth.



Empowering what we do best
Our transformation will enable us to better leverage our strengths and uplift organisational agility.

Transforming operations
Our transformation is comprehensive, addressing all dimensions of our operating model.

Market leading solutions
We are partnering with experts to deliver proven solutions appropriate for commercial customers.

Our aspiration for the business and agri bank spans three horizons

building foundations

FY24+

Aligned and compelling proposition

Aligned and simplified operating model

growing at system

FY26+

Curated experiences for our target markets

Streamlined and scalable operating model

leading

FY29+

Most trusted business and agri bank

Digitally enabled and high performing operating model

Designing and refining our

Customer proposition

- Target Markets
- Brand
- Products and Services
- Channels

Operating model

- Structures and roles
- Culture
- Systems and processes
- Digitisation and automation

The transformation tracks progress across target markets, customer value proposition, operating model and is underpinned by clear actions and measurable outcomes.

04 Bendigo Lending Platform

Richard Fennell, Chief Customer Officer, Consumer
Janelle Wehsack, Lead Bendigo Lending Platform
Darren Kasehagen, General Manager Third Party Banking

The new Lending Platform makes life easier for our customers, staff and partners

Reduce

our complexity

- Retiring legacy brands
- Consolidating core banking systems
- Allows us to offer Bendigo Bank branded products to the broker market

Modernise

our technology

- New technology and improved functionality and capabilities
- Providing consistent credit decisioning for customers
- Enabling operational excellence, increasing productivity and efficiency

Digitise

our customer experience

- Reducing lending decision time
- Enhancing application and onboarding process for customers, with better access to Bendigo Bank products, services and support
- Growing our target customer segments

Brand

New Bendigo Bank Broker sub-brand in market.

Product

New Lending Product across both retail and third party channels.

Process and policy

Reviewed every lending process, digitised 200+ credit policy rules to support automation enabling Digital by design, human when it matters.

Operating model

Changes to structures, roles, accountabilities to maximise efficiency.

new

integrated consumer lending platform

Foundational capabilities – collaterals, document management, product and pricing, Partner Relationship Management, commissions.

Launched trial of the Lending Platform — November 2023

6 minutes vs 5 days

Time to conditional approval (median)

30%
more efficient
Full time equivalent staff in processing centre

22%
faster
Time to unconditional approval (median)

60%
uplift
Applications per day

44%
uplift
Loans passing automatic checks

Our brokers love how we've made things easier for them

" My customers are fully aware of who Bendigo Bank is, knowing they are one of Australia's most trusted Brands. This is compelling, it makes it a very easy conversation when providing lender comparisons for selection to our customers, already accustomed with the Brand and far greater level of trust "

— **David**

"My customers have loved how simple and easy it's been with Bendigo, the post settlement care and welcome call has also been great and has actually taken place"

— **Nicole**

"One of my applications with Bendigo Broker was formally approved within a couple of hours, it was simple and easy and I couldn't believe it"

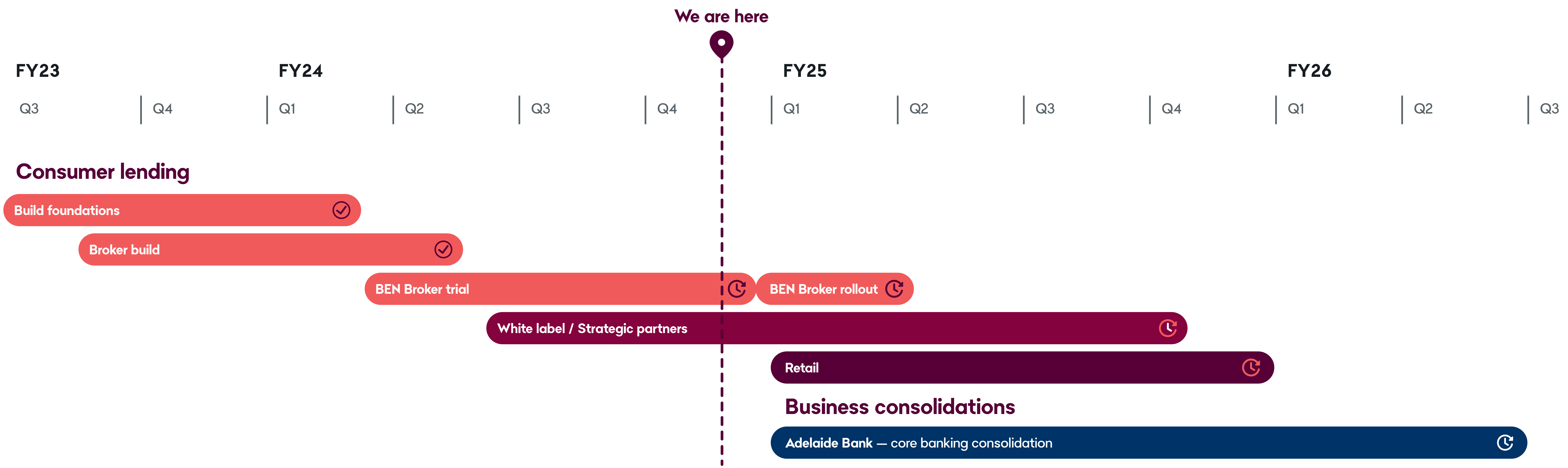
— **Craig**

"The story of Bendigo Bank and their focus on giving back to the community really resonates with customers and strengthens our brand being able to partner with you as a lender"

— **Sharon**

Sentiment and feedback collated at two functions attended by Brokers from Finsure, Specialist Finance Group and Outsource Financial in Sydney and Melbourne, 8 and 9 May 2024.

Today, tomorrow, and the future of the Lending Platform



Current state

- Multiple teams and roles on credit assessment process
- 0% automated assessment tasks / credit decisioning
- Significant time undertaken for assessment and verification
- Manual credit experience with inconsistent policy interpretation

where we are going

Future state

- Consistency for customers with 'one way, same way' credit assessment across all channels
- 80% automated assessment of credit decisioning and workflow to drive efficiency
- Manual reviews by exception only
- Customer interactions focus on deepening of relationships

04
Up

Xavier Shay, Chief Executive Officer, Up
Ryan Brosnahan, Chief Transformation Officer

LOCKED SAVERS

Financial Wellbeing

$105M+

Held in 35,000+ Locked Savers

2UP

Joint Accounts

26%

Of active Upsiders[1] have 2Up joint accounts

UP HOME

Mortgages

$500M+

In Identified Home Savings[2].
$370M+ in settled Up Home Loans

SAVE UP 1000

Savings Habit Creation

190,000+

Upsiders started, 17,000+ Completed.
~$27M saved

MAYBUY

Save Now, Buy Later

$1.7M

Impulse purchases avoided, 37% of maybuys

[1] An "Upsider" is a customer with a regulated bank account
[2] Deposits in Home Saver feature, including customer-reported external deposits.

$155B+

Transactions completed since launch

#1

Highest rated banking app[1]

$2.0B+

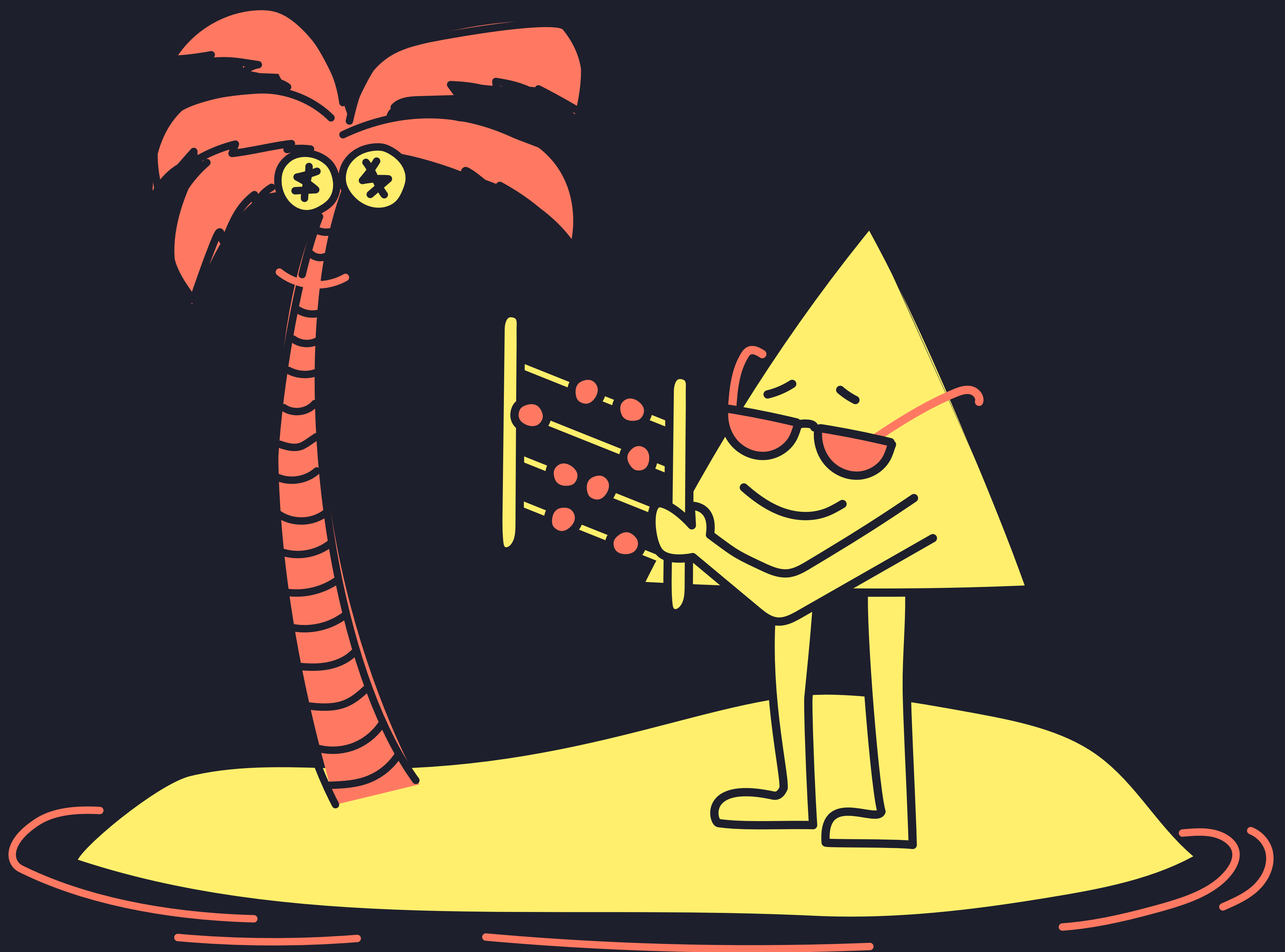
Deposits Balance

27%

Year-on-year growth. 840k+ Upsiders

80%

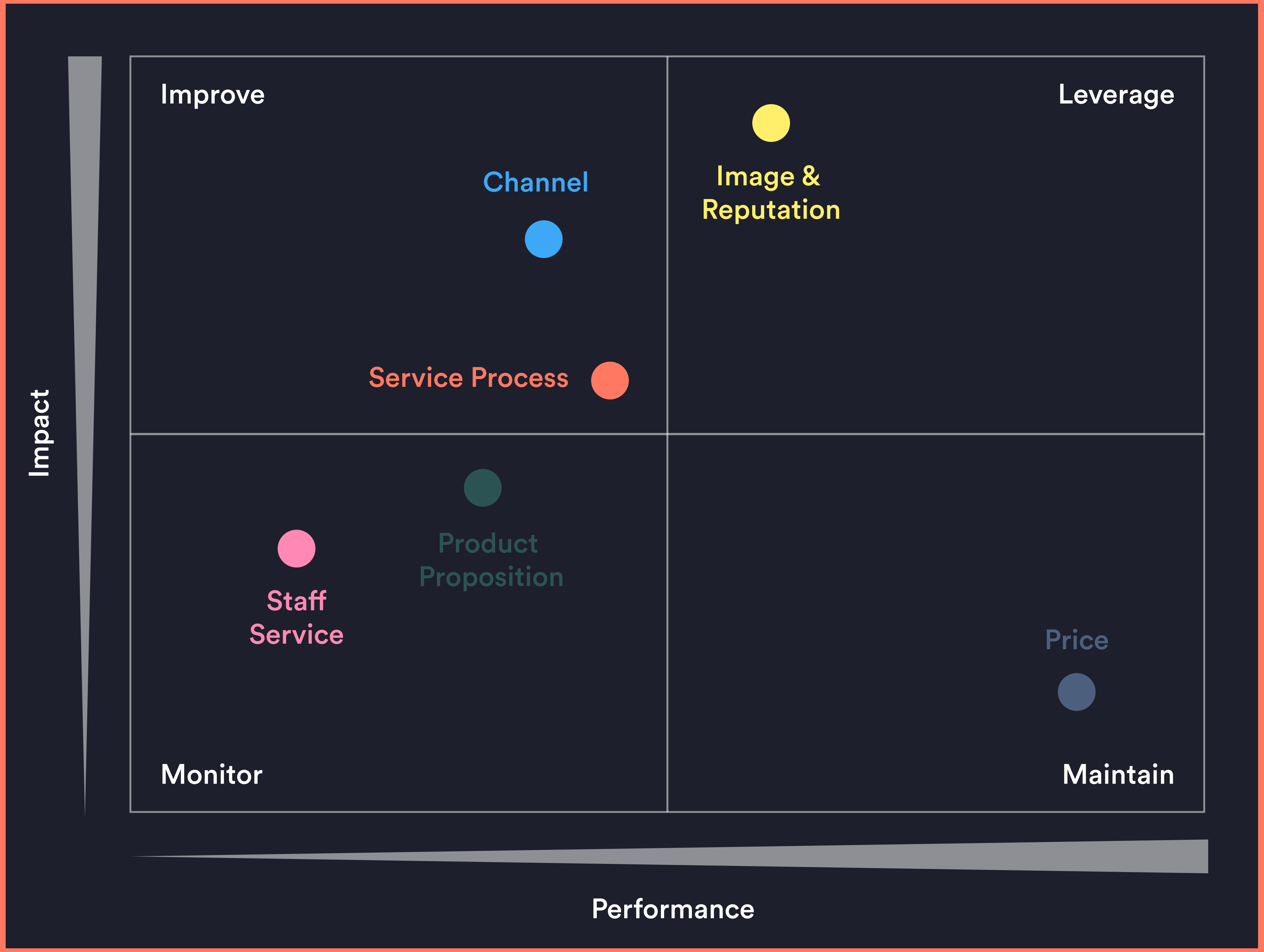
Word-of-mouth growth[2], <$50 CPA[3]



[1] Up rated 4.9 and 4.8 in App & Play stores respectively at 1-May-2024
[2] Customer-reported via in-app signup survey
[3] Based on total marketing costs

Why do customers love us?

Tier 1 Drivers of Advocacy - All Up Customers



"This is my favourite app- you guys do such an incredible job making banking and saving FUN!"

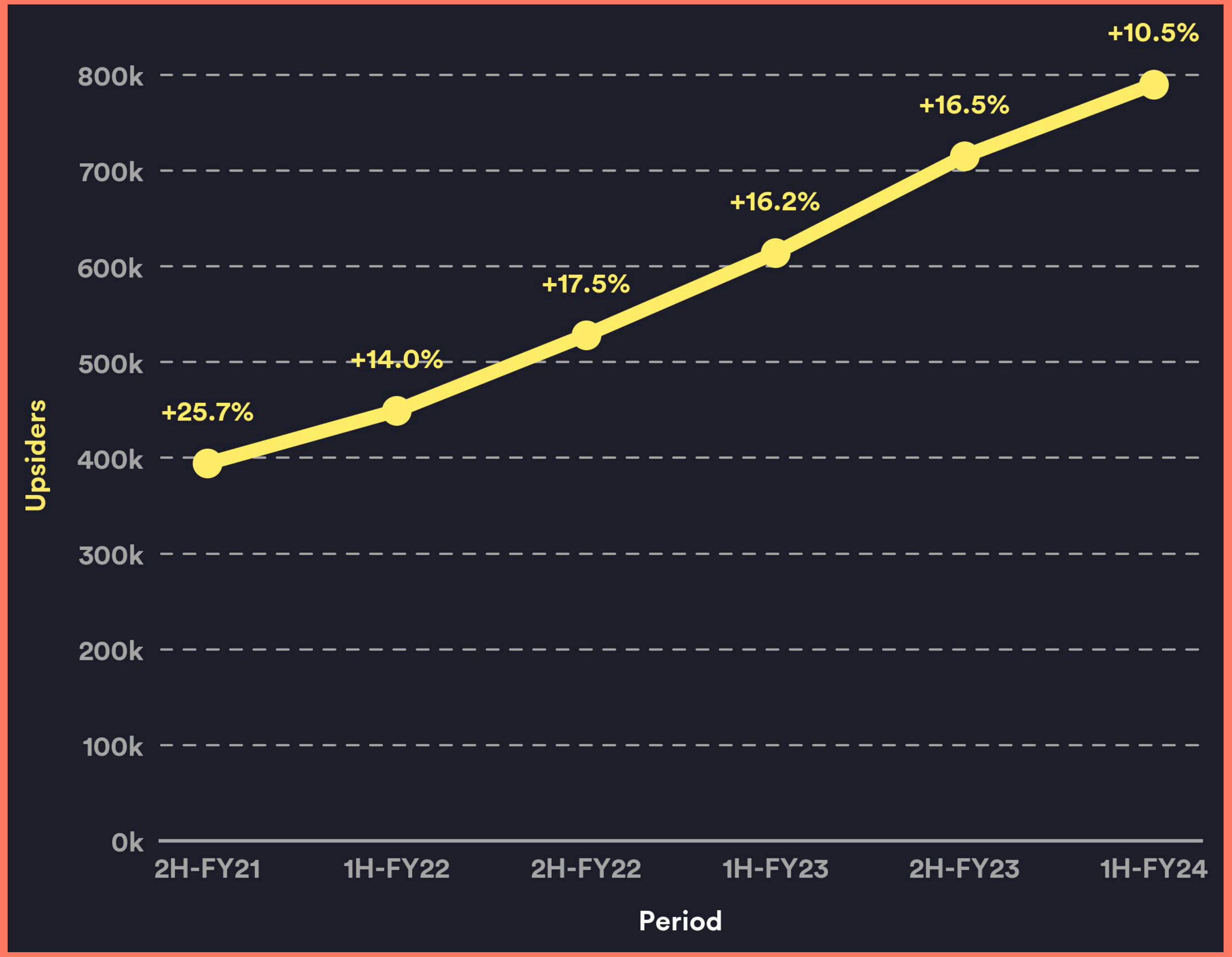
"i have adhd and this is the only thing i've done consistently for the last year, it's bright and fun and cute and forgiving and small enough and big enough as a responsibility; it's almost like y'all engineered it for adhders."

"10/10 would recommend. Hi mum, I did it. You said I couldn't but look at me.

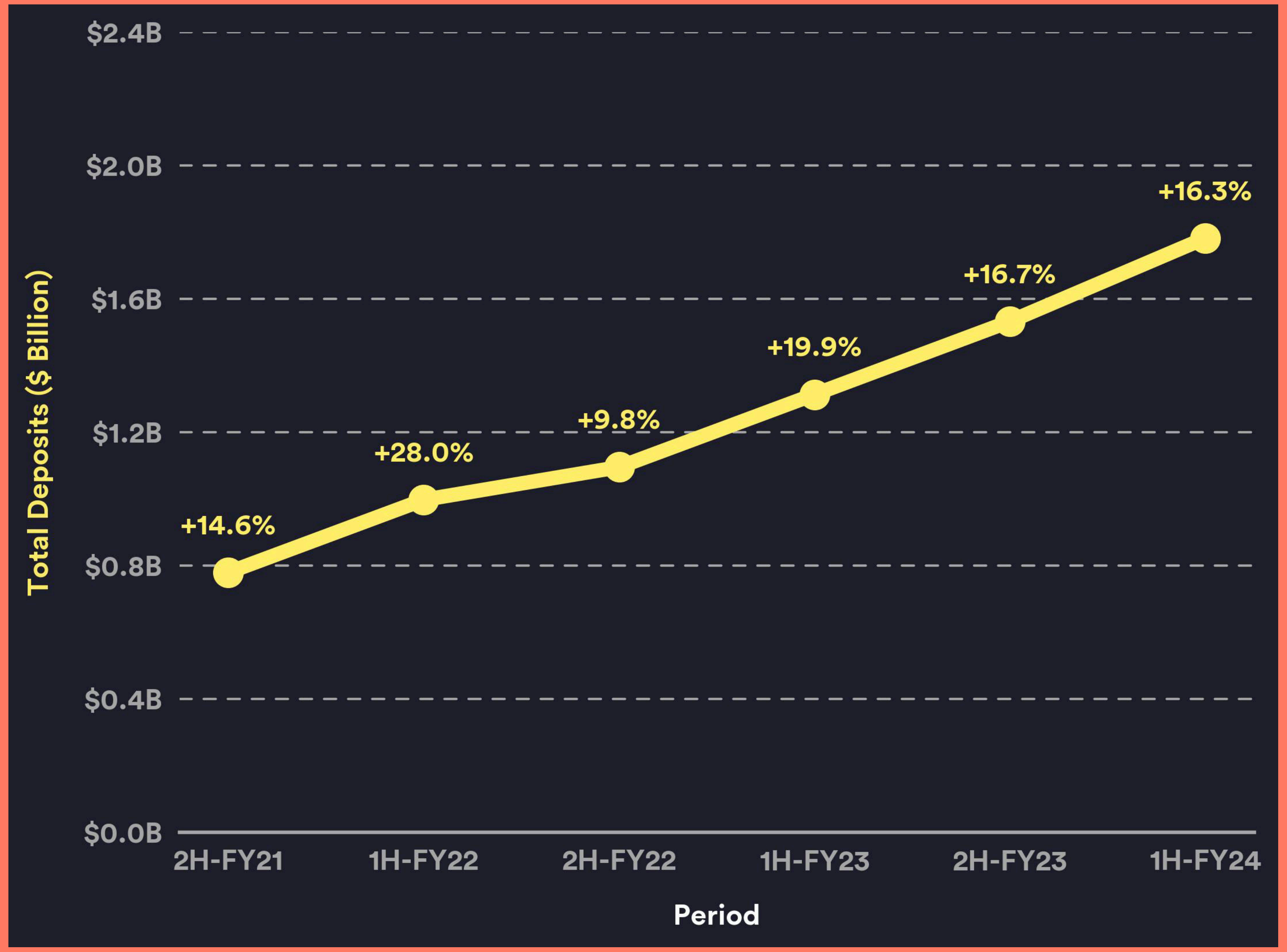
"The most neurodivergent friendly saving experience I've had to date. Super encouraging and has helped relieve financial trauma."

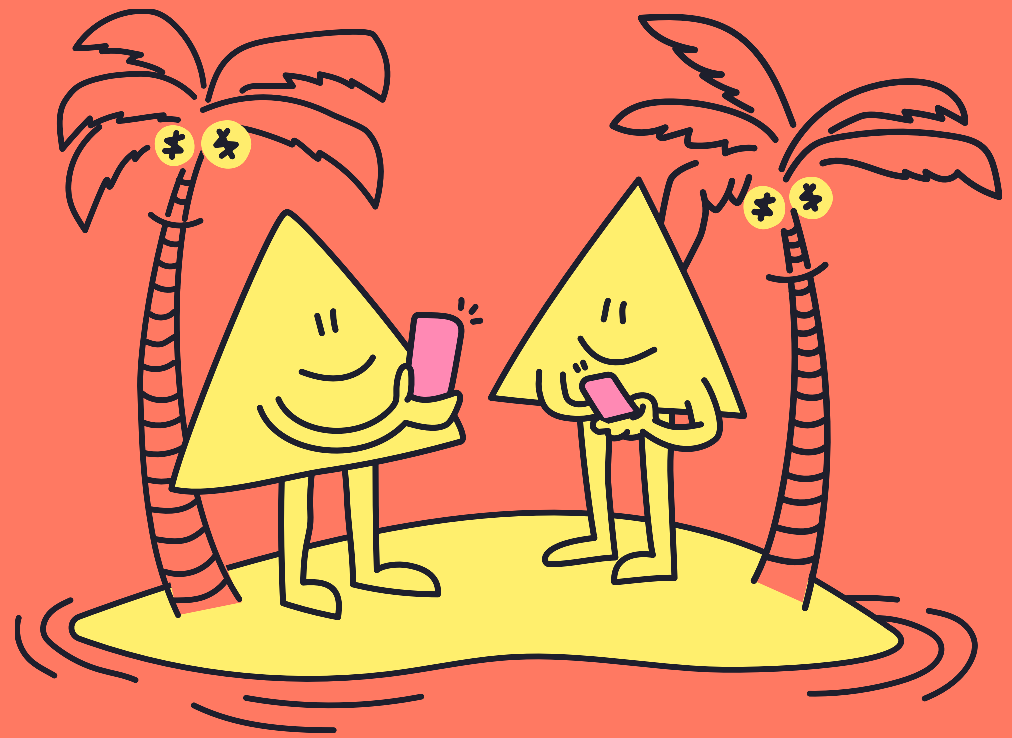
We’re growing as fast as ever

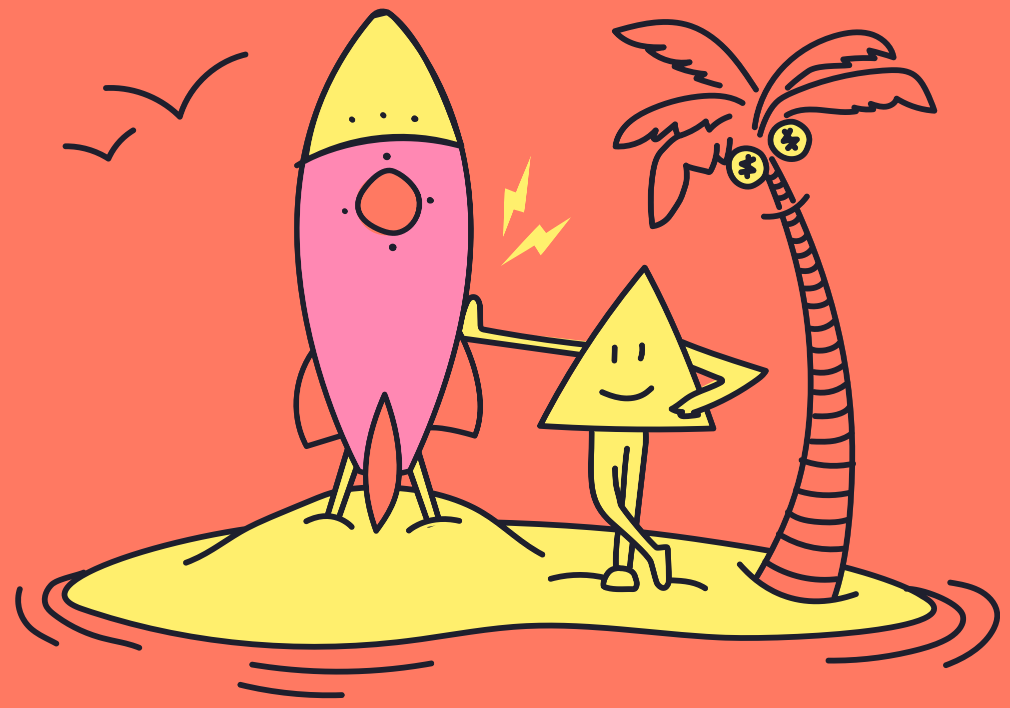
Customer Growth



Deposit Growth

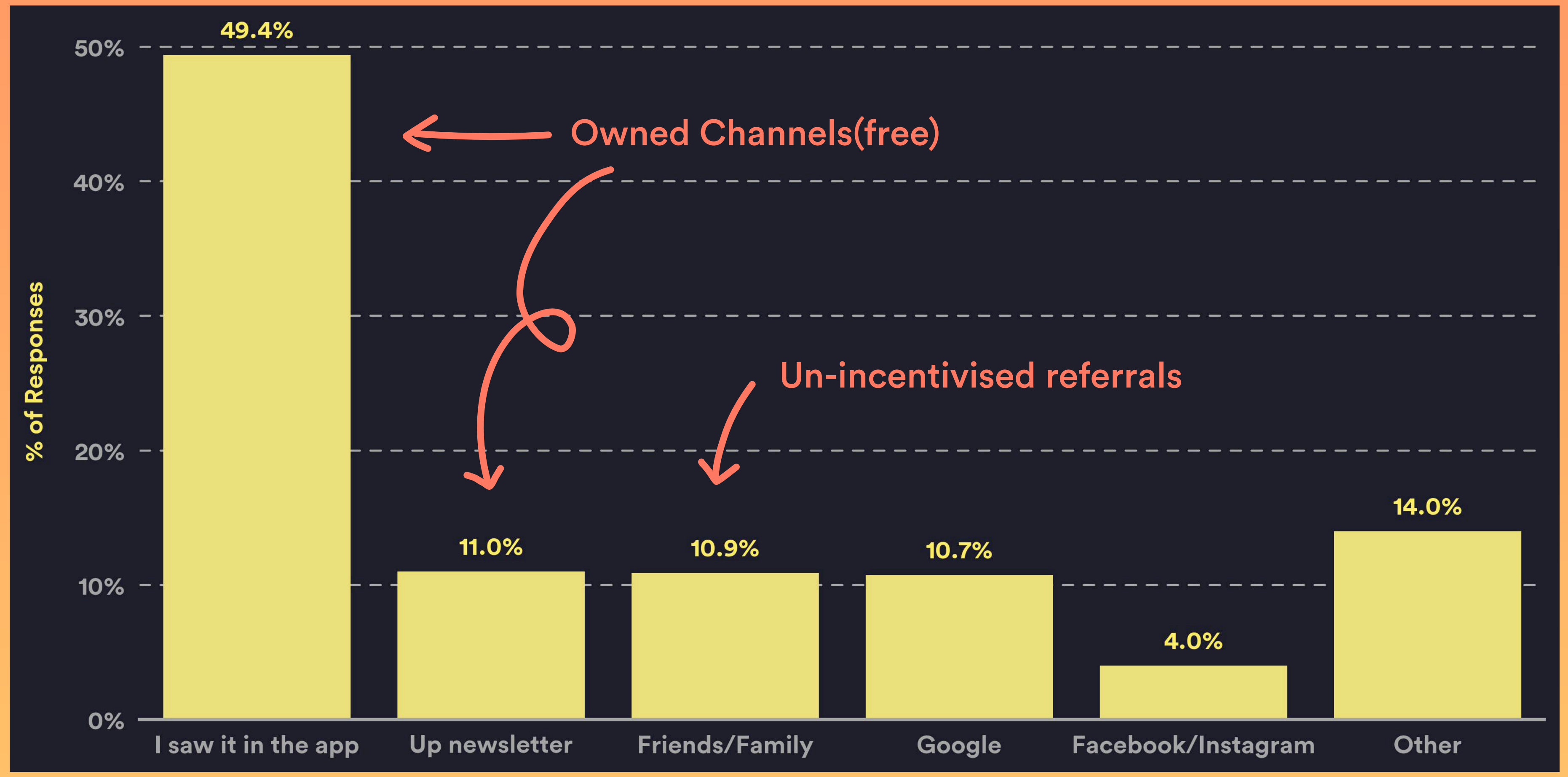




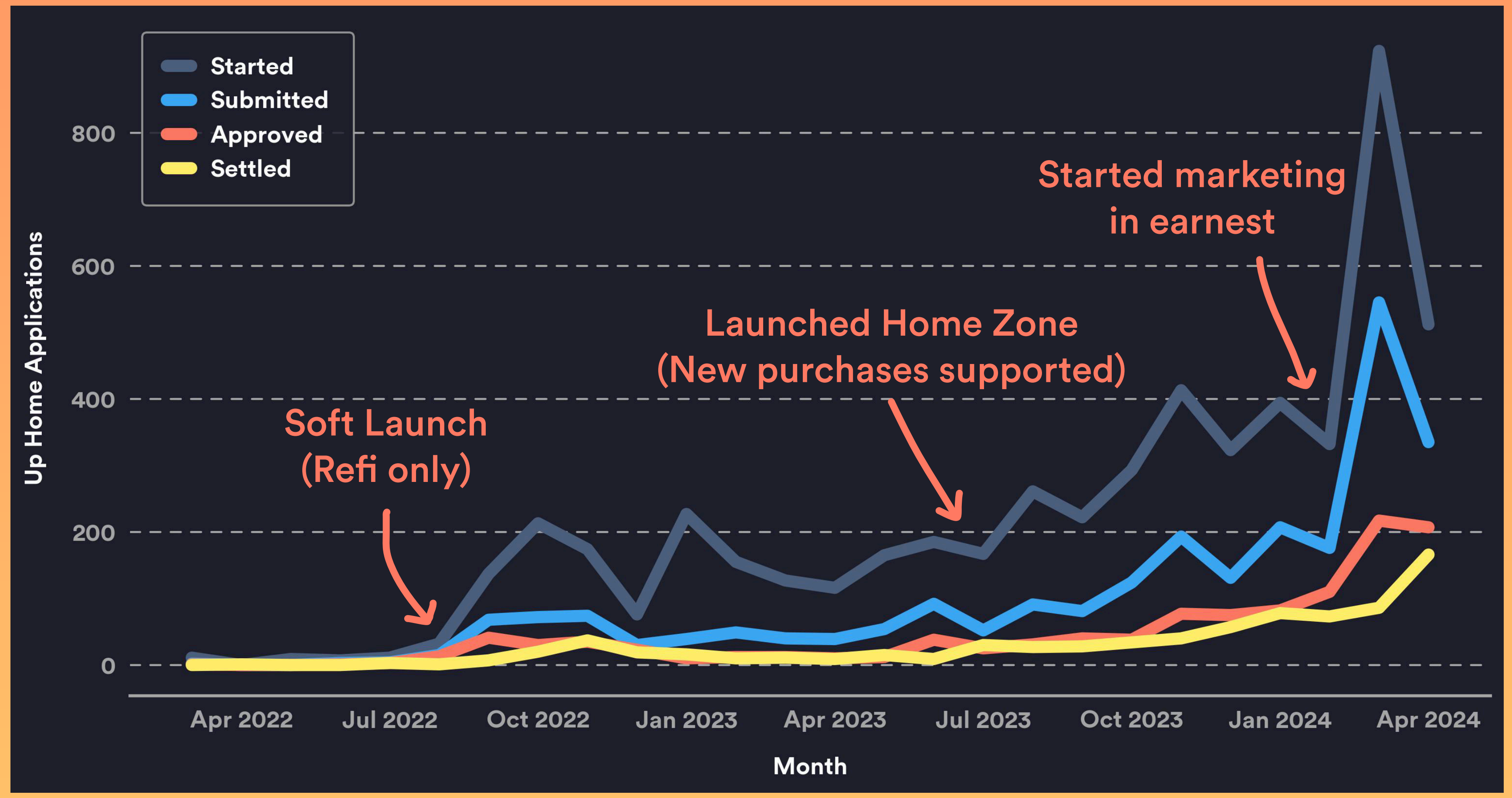


Up Home

Up Home Attribution



Up Home Funnel



$370M

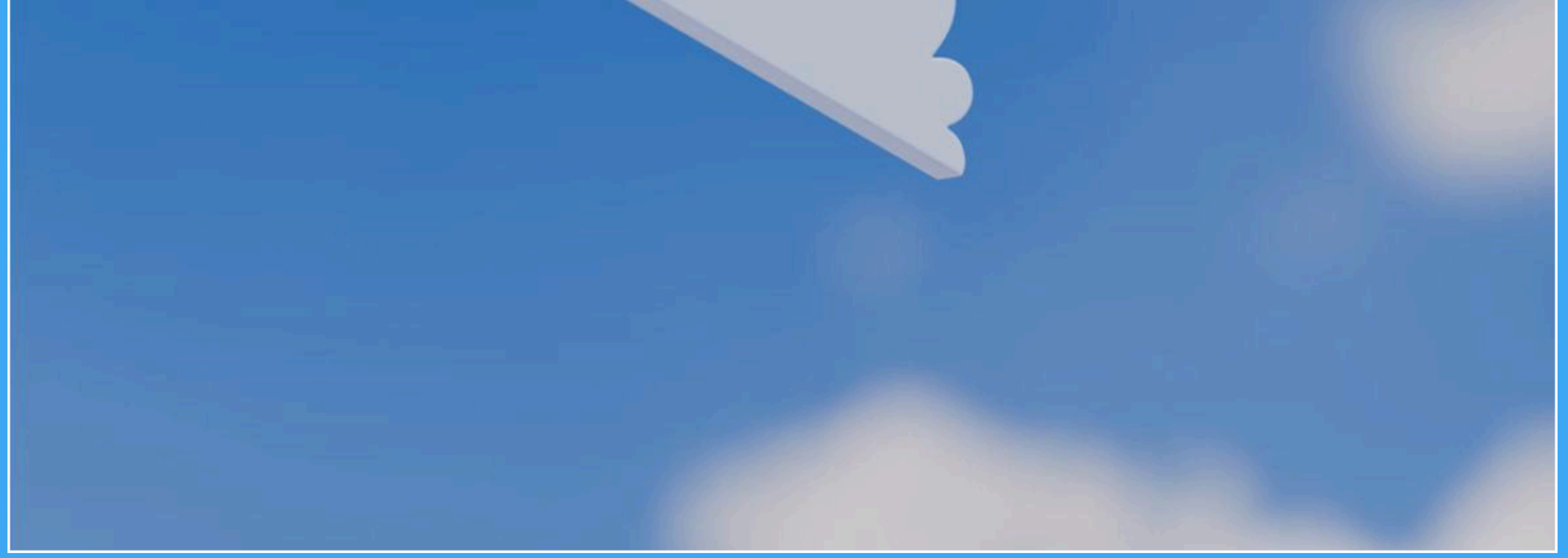
Homes Settled

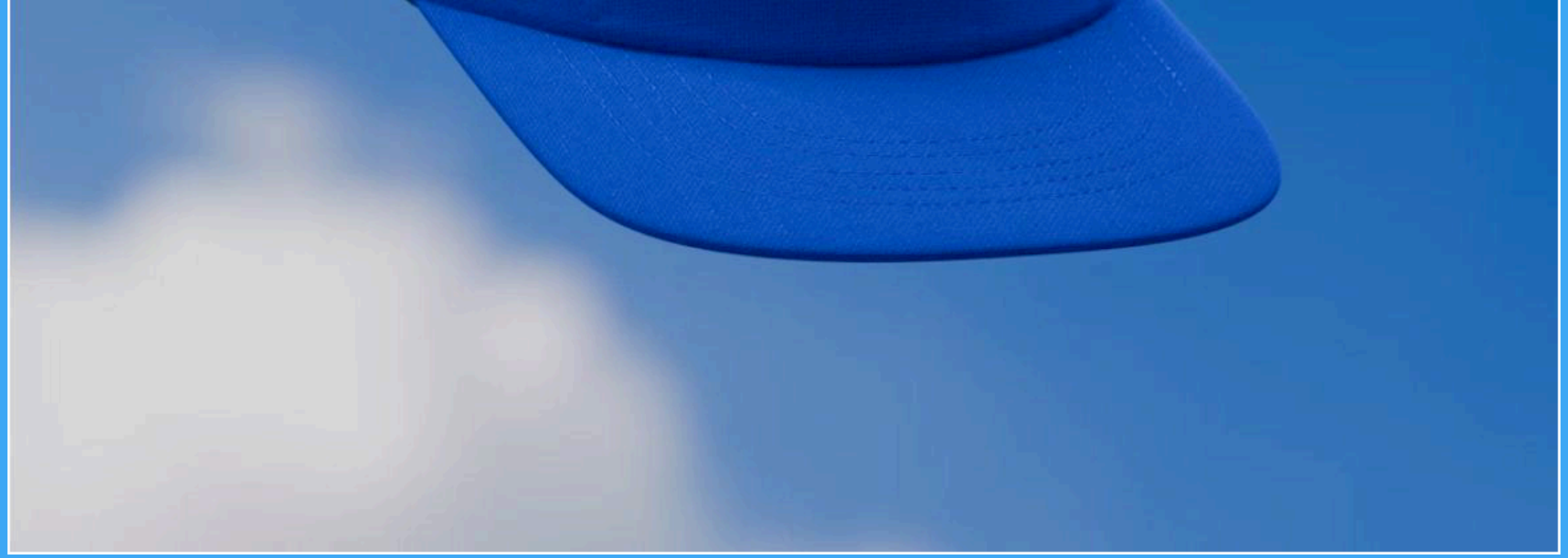
65%

Loans to Existing Upsiders

$500M

Identified Home Savings





5,000

Early Access sub in the first 24 hours

$25.00

Digital Only Membership

$50.00

Merch + Digital Membership


up

05

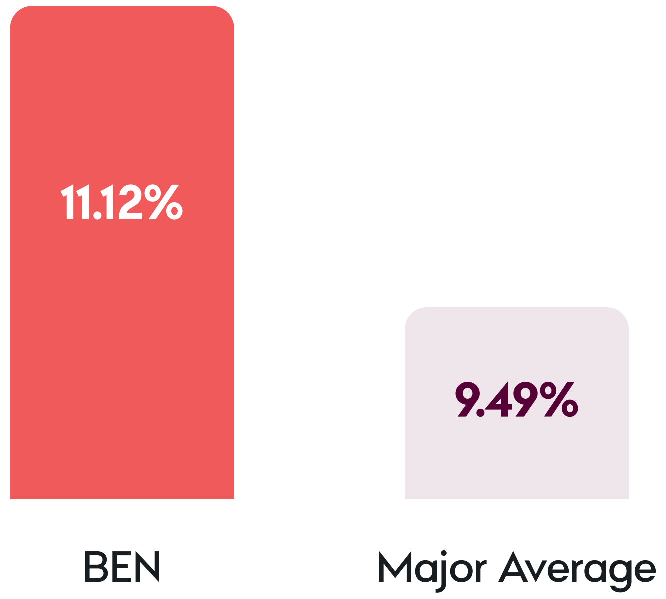
Pathway to target ROE

Andrew Morgan, Chief Financial Officer

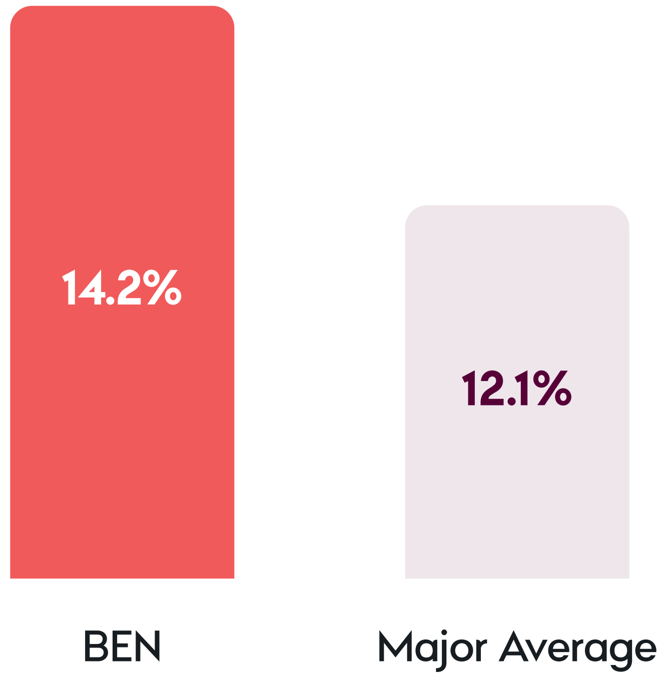
Strong balance sheet to support our growth aspirations

Capital

CET1 (Standardised basis)[1]

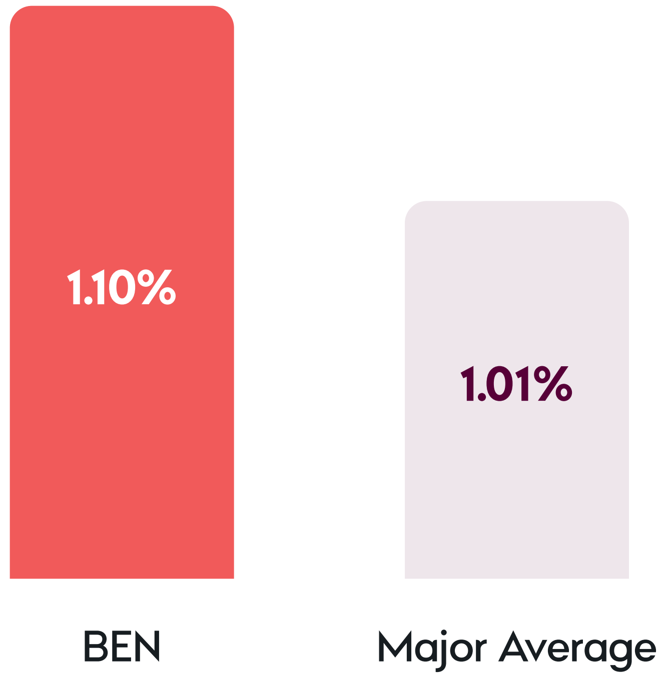


S&P RAC ratio[2]

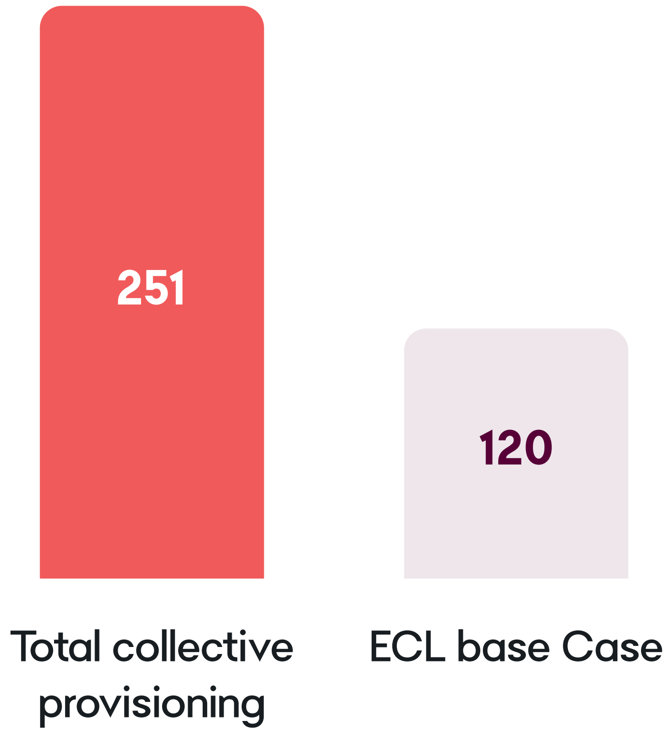


Provisioning

Total provisions to Credit RWA (Standardised basis)

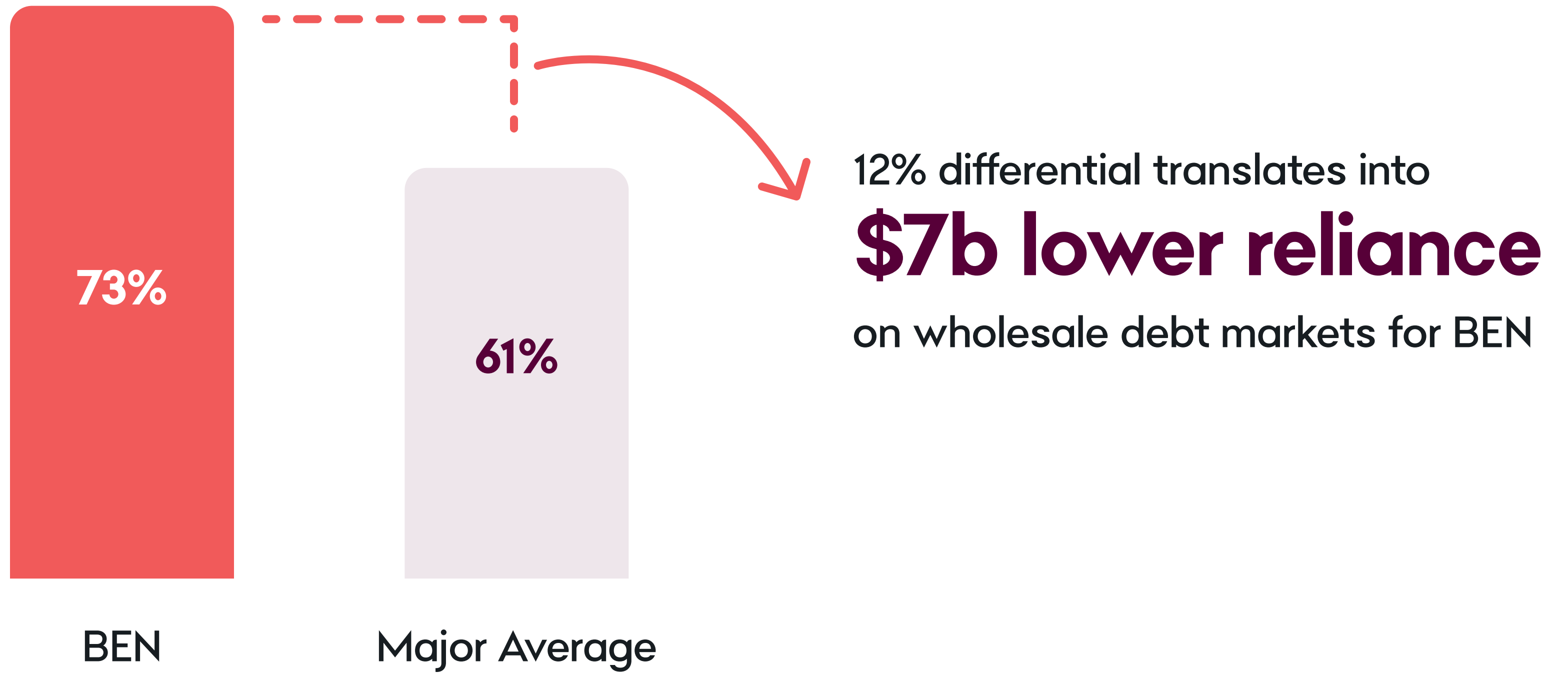


BEN Total collective provisions to ECL base case ($m)[4]



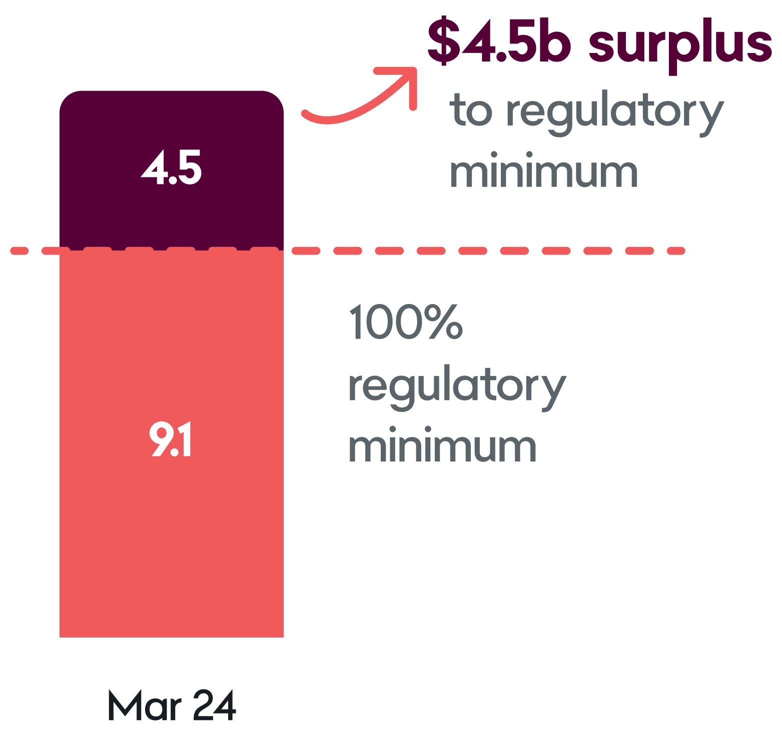
Funding

Household Deposits / Loans Ratio[3]

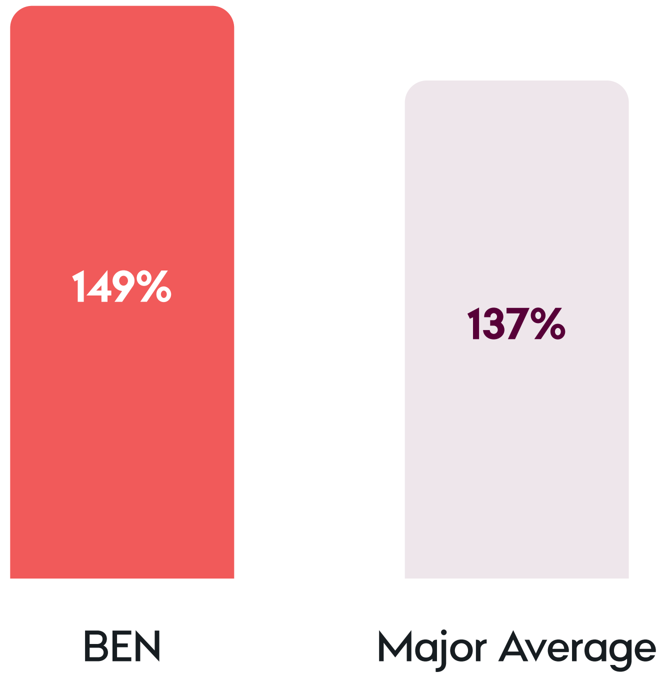


Liquidity

HQLA ($b)[1]



LCR[1]



[1] Sourced from most recent APS330 disclosure

[2] S&P Risk Adjusted Capital (RAC) ratios sourced from most recent published disclosure

[3] Source: APRA.

[4] As at 31 March 2024. ECL = Expected Credit Loss.

Operating expenses managed at or below inflation levels

Modernise technology

8 core systems to 3

Migrated 43% of applications to the cloud

Reduced IT applications by 50%

Merchant facilities from 7 to 1 with Tyro partnership

Reduce complexity

13 brands to 7[1]

Exited non-strategic partners

Business and Agri division

24% reduction in suppliers[2]

Accelerate digital

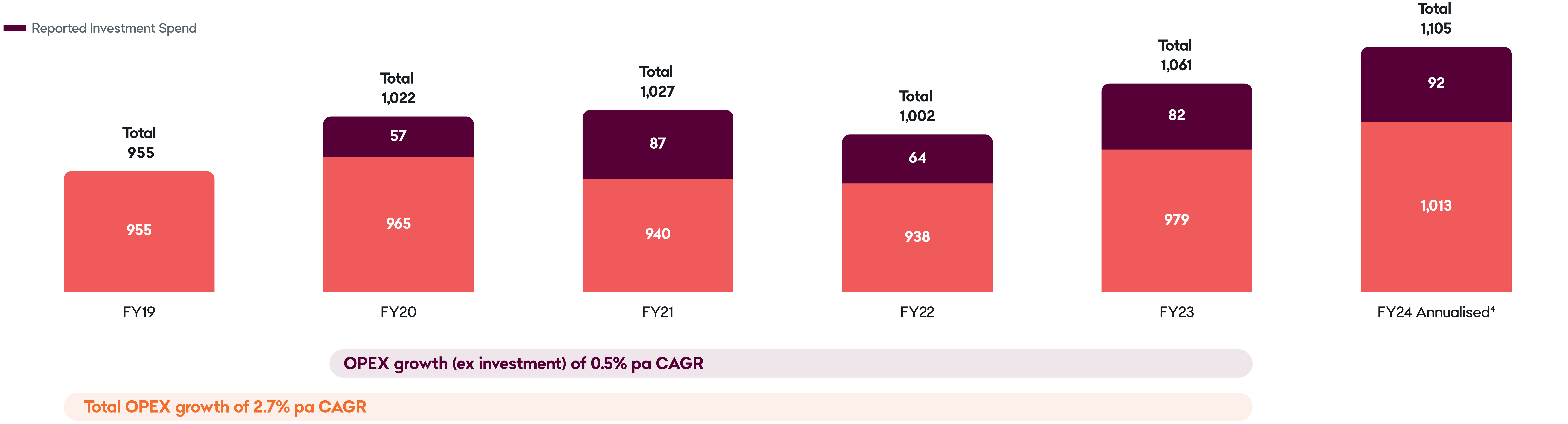
Digital mortgage settlements 19.1% at 3Q24

Digital deposits up 9.0% in 3Q24[3]

First bank to launch all the "pays"

840k+ Upsiders

Total Operating Expenses (cash basis) $m



[1] Brand is defined as "A commercial entity with a visual identity (unique logo and/or lock up with the Bendigo Bank logo), trademarked and communicated to customers or other key stakeholders as part of our products and services".

[2] Achieved in FY21.

[3] Volume of total consumer product deposits sourced via a digital channel for Bendigo Bank and Up.

[4] FY24 Annualised is derived from 1H24 for illustrative purposes only and does not provide guidance for FY24.

Investing in our business

Continuing to invest for long-term simplification benefits

Open Banking

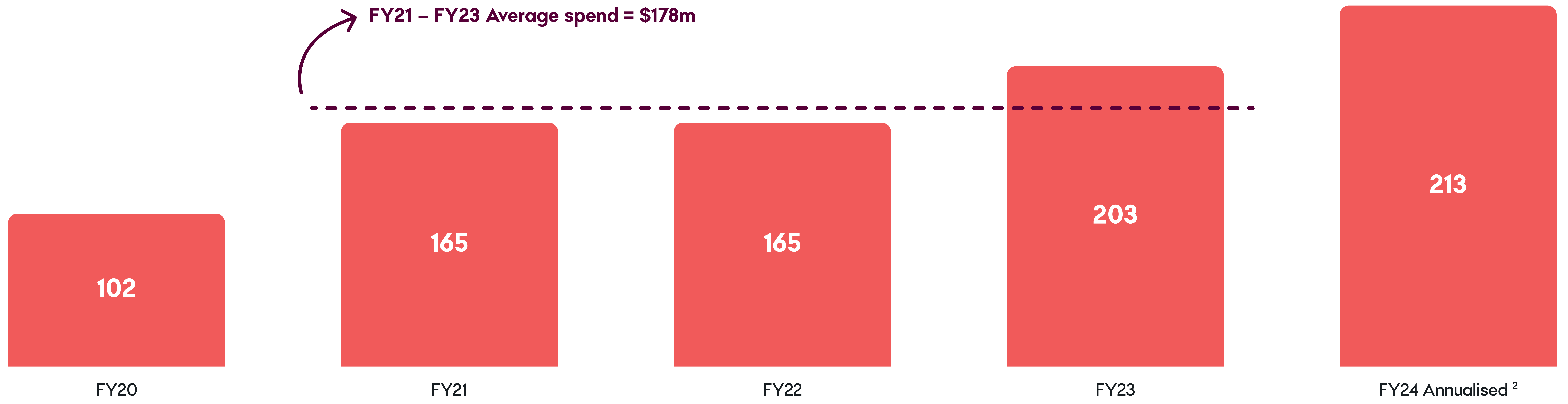
Foundational spend
including pricing engine, collateral management

Up
Deposits and Home Lending

Bendigo lending platform
commenced and in progress

Business & Agri
simplified operating model

Investment Spend $m[1]



[1] Cash investment spend including expensed and capitalised components, excluding non cash items.

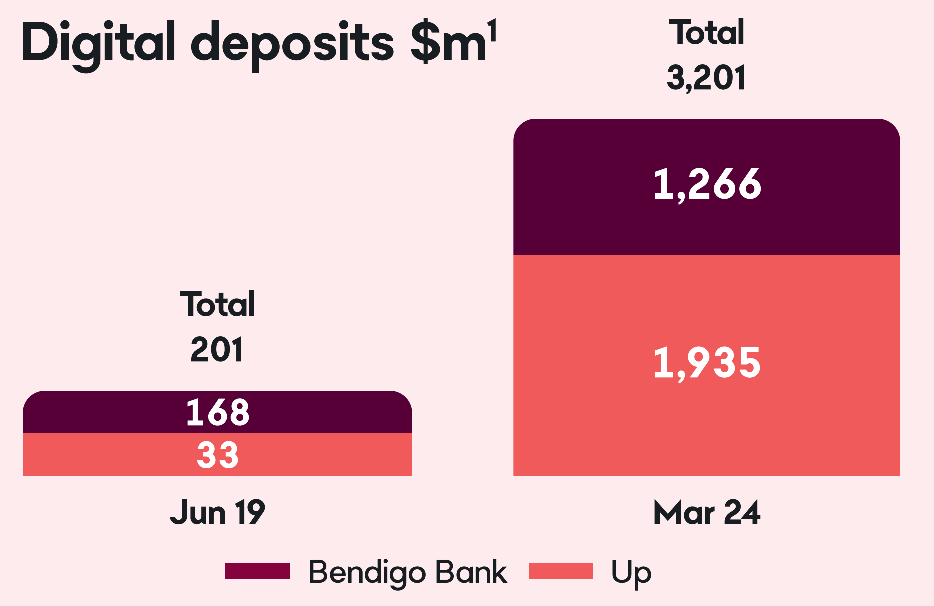
[2] FY24 Annualised is derived from 1H24 for illustrative purposes only and does not provide guidance for FY24.

Pathway to achieving target ROE

Continued focus on cost management and targeting improvement in CTI ratio

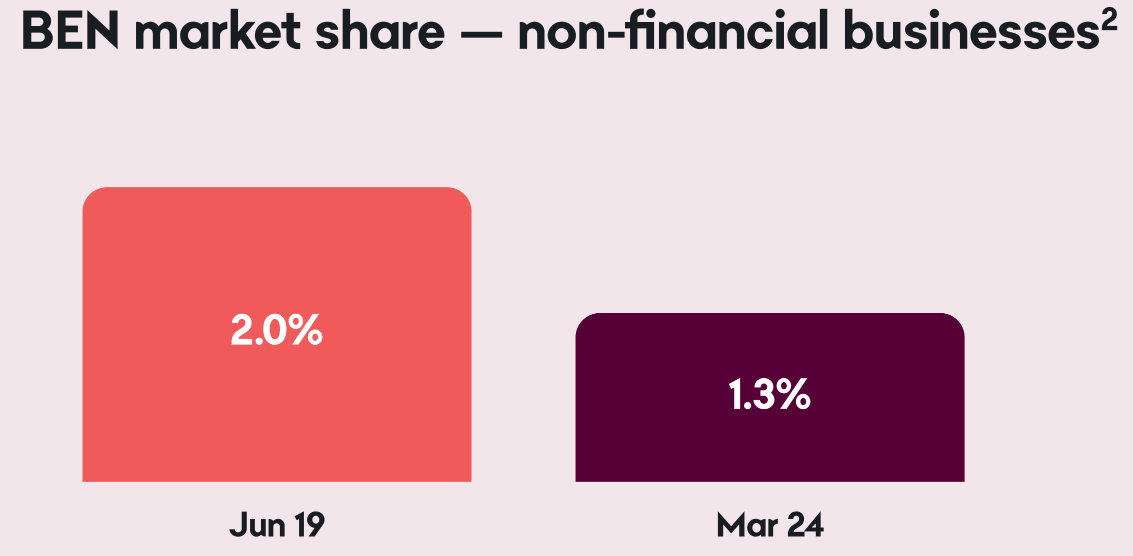
Investing in our deposit gathering franchise with Up and Bendigo underpinned by the strength of our Community Bank model

[1] Digital deposits includes all deposit accounts opened through the Bendigo Bank website, Bendigo Bank eBanking application and Up.



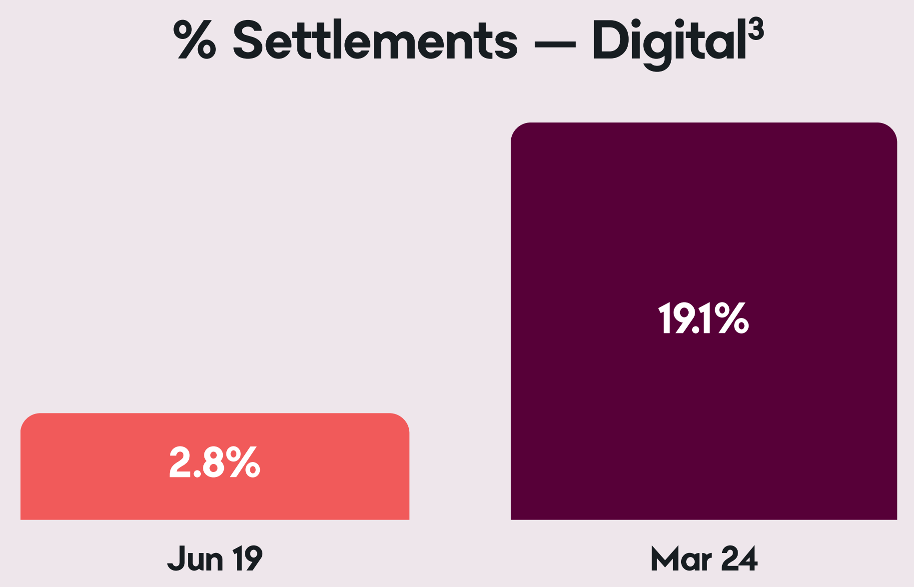
Diversifying our balance sheet with the rebuild of our Business and Agribusiness division

[2] APRA Monthly Authorised Deposit-Taking Institution Statistics March 2024.
BEN market share calculated by dividing BEN's portfolio by total of all ADI's for the relevant asset.



Disciplined approach in home lending and taking advantage of multi-channel approach

[3] % residential lending settlements from relevant digital channels.



06
Q&A Session

07
Closing

Marnie Baker, Chief Executive Officer and Managing Director

Australia's bank of choice

2028+

Creating sustainable returns

Supported by

- Well managed cost base
- Growing above system in deposits and lending, within capital allocation hurdles

FY24–FY28

Australia's bank of choice

Australia's most trusted bank
Leading trust and advocacy driving growth in our target segments.

Digital by design, human when it matters
Making it easier for our customers and our people will generate sustainable shareholder returns.

Well positioned for the future
Diversified balance sheet and revenue supported by lower cost deposits.

FY18–FY23

Foundational

- Strength
- Capability
- Differentiation

Important information

This document is a presentation of general background information about the Group's activities current at the date of the presentation. It is information in a summary form and no representation or warranty is made as to the accuracy, completeness or reliability of the information. It is to be read in conjunction with the Bank's half year results filed with the Australian Securities Exchange on 19 February 2024 and the Bank's other periodic and continuous disclosure announcements. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice, when deciding if an investment is appropriate.

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United Nations Sustainable Development Goals

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Local

Greater Bendigo
Climate Collaboration

National

Australian Banking Association

Climate Active

Australian Sustainable Finance Institute

Global

United Nations Global Compact

Business for Societal Impact
Corporate Citizenship

Science Based Targets
Driving ambitious corporate climate action

TCFD
Task Force on Climate-Related Financial Disclosures

TNFD

Paris Climate Agreement

Shareholder Centre

1H24 Results Presentation

www.bendigoadelaide.com.au/globalassets/documents/bendigoadelaide/investorcentre/results-and-reporting/investor-presentations/half-year-results-presentation-2023-24.pdf

Annual Financial Report

www.bendigoadelaide.com.au/globalassets/documents/bendigoadelaide/investorcentre/results-and-reporting/annual-reviews/annual-financial-report-2023.pdf

Corporate Governance Statement

www.bendigoadelaide.com.au/globalassets/documents/bendigoadelaide/investorcentre/annual-general-meetings/2023-corporate-governance-statement.pdf

Investor Calendar

www.bendigoadelaide.com.au/investor-centre/investor-calendar/

Sustainability Report

including Climate-related Disclosure and ESG Data Summary

www.bendigoadelaide.com.au/globalassets/documents/bendigoadelaide/investorcentre/results-and-reporting/sustainability-reports/sustainability-report-2023.pdf

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Bendigo Bank Advertisement Plays

Sam Miller:

So welcome to Investor Day. My name's Sam Miller, I'm head of ESG and IR actually as well. Before I start, I'd like to acknowledge the traditional owners of the land in which we meet today. Here in Sydney, it's the Gadigal People of the Eora Nation. I pay my respects to their past and present and extend my respects to the Aboriginal and Torres Strait Islander people who are here with us today.

Thanks so much for joining us. Face-to-face is always such a great interaction, and as a relationship-driven bank, we're really looking forward to spending some quality time with you. For those on the video, it will be available on Friday. So today, we've got a pretty good agenda. We're starting off with our CEO, Marnie Baker, who'll talk through our transformation program and our points of difference. Then we'll head to Ryan Brosnahan, our Chief Transformation Officer, who'll walk through our digitization and technology platforms, and then we'll break into three specific sessions.

First, we'll have Adam Rowse, our Chief Customer Officer of Business and Agri, who'll walk through the BNA program. We'll showcase our Bendigo Lending platform with Richard Fennell, our Chief Customer Officer of Consumer, and then we'll provide a deep dive on our up business with Xavier Shay, CEO of Up, and Ryan Brosnahan. The final part of the day, you'll hear from our CFO, Andrew Morgan, and then there'll be a long opportunity for Q&A with Marnie wrapping up. The purpose of the day is also to allow some interaction with our other executives that we have here today as well, so we'll have some refreshments post the formal part of the day. Some logistics, the bathrooms are outside. If there is any fire alarms, look for one of the staff members, they'll be able to assist, and we welcome you to engage. I'll hand over to Marnie.

Marnie Baker:

Thank you, Sam. Good afternoon, everyone, and thank you so much for joining us. It's great to see you all here. As you know, we are a relationship bank and I relish the opportunity to meet with our stakeholders in person and thank you for taking the time, like I said, out of your busy schedules to join us here today. As Sam outlined, today, we'll provide you with an update on our progress and our plans. We'll explain how the strong foundations we have built and the capability we have developed will allow us to leverage our points of difference and continue to deliver sustainable growth for our shareholders. It has always been very clear to us that our relationships with our customers are the key to delivering on our objectives, and today, we're seeking to help you to join the dots. I encourage everyone, and particularly the analysts in the room, just to set aside your models for a few hours and just immerse yourself in the... Thanks, John. Yourself in the more detailed deep dives into our strategy and growth engine drivers.

You can get back to your models later. You are going to... And the reason I say that is because you're going to have access to our senior leaders, who are going to be sharing their insights and plans for our business, for our Business and Agri Division, our new Bendigo Lending platform, and our market-leading digital-only bank, Up. So please, take the opportunity to really get involved. Today, we have all of our executive team here. We have a couple that you know already. Andrew Morgan, our Chief Financial Officer, and also our Chief Risk Officer, Taso Corolis. Probably a couple that are familiar to most in the room, Richard Fennell, who is our Chief Customer Officer Consumer, and Ryan Brosnahan, our Chief Transformation Officer. But I'd like to introduce you all to those that you probably haven't met to this date. That is Louise Tebbutt, our Chief People Officer. Bruce Speirs, our Chief Operating Officer. And Adam Rowse, our Chief Customer Officer of Business and Agri.

If you leave today and take away only one thing, I want you to remember this. Bendigo Bank is the only credible challenger to the major banks. There is no one else that has the strength, capability, and differentiation that Bendigo has. Our balance sheet has never been stronger, our capital levels are well in excess of the majors on a standardised basis. Our funding levels, as a measure of our household deposits, are market-leading. And we continue to deliver some of the lowest credit losses in the industry through the cycle. For the last five years, we've been laying the foundations for the next phase of our development. We've simplified our bank, our brands, systems, and processes. We've developed and sourced the expertise and capability required, and we've built the infrastructure. We've uplifted our risk management capability, we've got the right leadership team in place to deliver on the strategy, and guide our motivated and engaged workforce who are united by our purpose and believe in our vision.

In an increasingly homogenous industry, we stand out as being different with unique qualities that resonate deeply with our customers. Our role as Australia's most trusted bank, our regional roots and values, and our reputation as a community-focused bank that customers feel a deep connection with. We are now in a position to bring it all together, our strength, our capability, and our differentiation in a way that supports our objectives for sustainable growth. And we didn't get here by accident, we got here through careful planning, disciplined execution, and by adhering to and delivering on our strategy. Our vision, to be Australia's bank of choice, our purpose of feeding into prosperity not off it, and our commitment to delivering on our strategic imperatives of reducing complexity, investing in capability, and telling our story.

We could see banking was becoming commoditised, we focused on community. We saw products and services going digital, we built Australia's best digital bank. We see banks once again exiting branches, as the economics and relevance of the traditional style of branches is being challenged. We've developed a locally-owned and operated branch model that brings more than just banking services to communities. We're proud to be different. We've always marched to the beat of our own drum, we've been doing that for 165 years, and it's just one of the many reasons why customers want to bank with us. It's why our customer numbers are growing at around 10% a year and our NPS is market-leading. It's why we are Australia's most trusted bank.

There is no doubt that there is an abundance of demand for our products, and the investments we are making are focused on making it easier for customers to do business with us wherever, whenever, and however they choose. We've got the foundations right. We have been patient in our approach, strategic in our decisions, sequencing our investments carefully, and the time is now right for us to begin the next phase and to optimise the assets that we have developed, our strength and balance sheet, our capability, and our differentiation. We've created Australia's first and best digital-only bank with Up, which has grown to almost one million customers in just a few years and is the highest-rated banking app on the app store and Google Play.

Customer numbers continue to grow above 25% each year and deposits are growing even more strongly. We will now use what we have learned with Up to onboard new Bendigo Bank customers even faster and at an even lower cost to the bank. Our new Bendigo Lending platform will deliver a one-way, same-way process for residential lending across the bank while deepening our relationships with our broker-sourced customers. The platform is in market today and is delivering equal to industry-best turnaround times. Our investments in business and agri will ensure our customers have a modern and consistent experience. Our new origination platform will be operational before the end of this calendar year.

The offering will be competitive and we are focused on delivering sustainable growth by targeting those market segments where we have a natural advantage. By June 2025, the bank will have one core banking system, two brands, and a unique opportunity. Against this backdrop, we will today provide you with a deeper look into three of our growth engines. Adam Rowse is going to share the strategy for business and agri division, our key target segments, and showcase the foundation of our new platform due later this year. Richard Fennell will highlight how our new Bendigo Lending Platform will facilitate the deepening of relationships with our broker-originated customers and uplift the experience and efficiency for both brokers and our direct and third-party customers. Finally, Up CEO, Xavier Shay and Ryan Brosnahan will walk you through the evolution of Up. How Up approaches the design of products and functionality and how the relevant capabilities can be transferred to Bendigo. I'll now hand over to Ryan to provide an update on our technology program at Bendigo before we go into the deep dives that I've just mentioned, so thanks. Ryan.

Ryan Brosnahan:

Thanks, Marnie. And for those of you I haven't met, I'm Ryan Brosnahan, the Chief Transformation Officer at Bendigo. And welcome, everyone, here today and thanks for coming along. Today, I'd like to walk you through the progress we've made to reduce the complexity in our business while modernising and digitising key processes and technology to become a more adaptable and responsive bank that enables our customers to interact with us how and when they want. In 2020, we were running eight different core banking systems. Every time we had to make a product change or a compliance change, a policy update, we had to make it multiple times over. Our teams were focusing almost solely on keeping systems running and implementing regulatory changes. We now have strong momentum and have progressed significantly in reducing this complexity. We've transitioned Delphi and Alliance Bank customers onto Bendigo's core platform. The Alliance integration alone allowed us to retire four core banking systems, more than 200 products, and 30 technology applications.

We are now down to three core banking systems and are working on our final two migrations, Rural Bank and Adelaide Bank. We had previously flagged this work would be completed this calendar year. However, as noted in previous results, priorities in cyber security and strengthening fraud controls were delivered, which means we'll complete the Rural Bank migration this year and have already started the rundown of the Adelaide Bank book and we'll be writing all new business with brokers on Bendigo products and systems by the end of Q1 2025. And we'll complete the full migration of Adelaide Bank by the end of next year. We have a script, a team, and valuable skills and insights for how we deliver these complex projects, ensuring we take an efficient and strategic approach. For our Rural and Adelaide Bank customers, migrating to Bendigo Bank will mean gaining access to Australia's most trusted bank, which includes a greater range of products and services, enabling us to deepen our relationships with these customers.

Completing this core banking system simplification work will enable us to have a laser focus on our two distinct market offerings, Bendigo Bank and our digital bank, Up, which is already built on Bendigo's core banking system, allowing us to focus our technology investment into supporting these two key businesses. At the same time as reducing our complexity, we've been modernising our technology environment to become a more agile and efficient bank. We've halved the number of IT applications we use across the banks since 2020, consolidating systems and delivering enterprise-wide solutions that support one-way, same-way processes, delivering common business capabilities across critical business functions, including collateral management, document management, and product and pricing. We've modernised our contact centre technology with Amazon Connect, moving from five different applications to one enterprise-wide cloud-based solution, with all of our contact centers now powered by this technology with improved analytics, AI, and automation capabilities. Our cloud migration approach sees us closing in on our 50% target of cloud-based technology applications by the end of this financial year.

This improves our resilience, our security posture, and our ability to introduce changes much more quickly than where we started five years ago. Our application programming interface, or API strategy, is another competitive advantage for us. We've built solid foundations and our high rate of API reuse means we are being efficient, leveraging common APIs to support multiple experiences seamlessly connecting our systems to talk to each other, automating processes, and driving faster decisions. Bendigo's new lending platform has been composed with more than 180 reusable APIs, helping to automate our processes and speed up our time to decision, which you'll see a demonstration of in the breakout session. We've designed our infrastructure to enable the strategic choice to build or partner, allowing greater flexibility for our customers and a more cost-effective approach for our shareholders. A good example of this is Timely and our solutions for business and agri, which again, you'll hear more about in the breakout sessions. In recent months, we've also been involved in a successful world-first trial using a generative AI-assisted model to modernise legacy technology applications, working with our partners, MongoDB.

The trial delivered very promising results and we estimate it reduced the human effort to modernise that legacy application by up to 90%. Another key component of our modernisation program has been the establishment of our cloud-based data platform, which went live earlier this year. We know that to better understand and quickly respond to changing business and customer needs, readily available data powered by advanced analytics and AI is essential. Our recently-deployed data platform powered by Google Cloud will unify all our data in the one place over the next three years, feeding applications, processes, and self-service reporting with enhanced controls to improve data integrity.

So what does all this mean? It means we've radically reduced the complexity in our technology environment and modernised our approach, allowing us to focus on delivering great experiences for our customers in a much more adaptive and responsive way. One of the big challenges we've had to face into as a business is how we balance our investment across the essential foundational work I've just spoken about with the need to continually improve the customer experience and develop new digital capabilities. Our focus has been on digitising processes across our key customer journeys. Saving, home lending, everyday banking, and business lending. We'll shortly take you through deeper dives on what this looks like and how digitising our customer journeys will help us to drive sustainable growth through our Consumer, Business and Agri and Up businesses. I know Marnie and Andrew have previously spoken about digital mortgages across our multiple brands and channels.

This slide helps bring our approach to life. As mentioned earlier, we are in the process of retiring the Adelaide Bank brand with no new business to be written on the Adelaide Bank origination and servicing platform from the end of June this year. Our digital direct offerings, such as BEN Express and third-party and white label partnerships such as Qantas, which have allowed us to steam ahead with digital mortgages, will continue to be supported by the Timely platform. We have also been testing how we bring together the best of Bendigo and Up to accelerate our capability and improve the customer experience across all of our digital channels. A good example of how we have brought this to life is through the launch of our Up Home offering, which we were able to bring to market extremely quickly, going from idea to delivery in six months. We were then able to use the learnings and capabilities we had developed for Up Home to uplift our BEN Express digital home loan offering quickly. Both of these offerings are tracking well ahead of our targets for FY 2024.

The time is right to now accelerate deploying broader digital capabilities and customer experiences for our Bendigo channels through leveraging the market-leading capabilities we have built with Up. Up CEO, Xavier Shay will shortly take us through these capabilities in more detail for Up, but what is really exciting is the potential of using these capabilities and features to drive a faster uplift in our Bendigo digital offerings. One of our first priorities is to use the digital sign-up capability we have built for Up to accelerate the delivery of a join-the-bank experience within the Bendigo Bank app, allowing new customers to sign up in minutes. When we look at the impact of new digital features we have recently introduced, we can see a really strong growth trajectory in this channel. Digital account growth for our savings accounts make up almost 50% of all accounts opened in the last month.

Our term deposit digital sales have also seen strong growth and last month accounted for more than 20% of all term deposit sales. Andrew will talk to this further in our pathway to achieve our ROE targets. We have proven that, when designed well with intuitive flows and helpful prompts, we generate excellent uptake of digital features with minimal need for additional marketing investment. Our aim is to create a new digital channel of choice for Bendigo customers. Our physical channels remain essential, but we must close the gap in digital servicing to support continued deposit and lending growth. The Bendigo brand is a relationship brand. Our task through the work we are doing is to translate this digitally and support our business to deepen customer relationships with the advantage of a 400 branch network across Australia. I'll now hand back to Sam who will help introduce the breakout sessions.

Andrew Morgan:

Well, first of all, thanks again very much for joining us here face-to-face, and I hope you've enjoyed the sessions that you've heard today. Today, what I want to do, is to reiterate our pathway towards our target return on equity, and I'm going to draw on much of the information you've heard on throughout those breakout sessions that you've just been to. So picking up on where Marnie finished, we have strong foundations to support our growth aspirations. Our common equity tier one capital at 11.12% is approximately 90 basis points above the midpoint of our board target range and well above the major banks on a standardised basis. In the last few years, we've improved our organic capital generation and we're now deploying a proportion of that capital into investments which will be return on equity accretive. Our liquidity position is strong. We typically run our LCR between 130 and 140%, and our March quarter average LCR of one 49% equates to a $4.5 billion surplus of liquidity above regulatory minimums. Our funding profile is one of the strongest in market.

The ratio of household deposits to loans is 73%, which is well above the major and regional banks, and customer deposits as a percentage of total funding is 75%. This reflects the strength of our deposit gathering franchise. And our credit provisioning coverage is strong. Our credit provisioning to total credit risk weighted assets is higher than the major banks on a standardised basis, so we have a very strong balance sheet underpinned by a strong deposit gathering franchise. We have a strong track record in managing costs. Our total costs over the five years to 2023 grew at just 2.7% per annum, compared to inflation of 3.9% per annum over that same time period. When you exclude investment spend expense, over the four years to 2023, our cost grew at just 0.5%. And we show on this page several examples of how we've simplified our business and contain cost growth through productivity savings, business simplification, and other cost-out initiatives. For example, we've migrated eight core banking systems to three and reduced IT applications by 50%.

We've combined two business divisions, Business and Agri into one, and created efficiencies and we've exited non-strategic partnerships. Over this same time period, we've been investing to steadily build foundational technology as well as complying with regulatory requirements. You can see on this page that our investment spend over the past four years has been increasing. If you simply annualised our one half '24 spend, it's 20% higher than the average of the three years to financial year '23. And as we've said previously, we do not expect to see our investment spend reducing anytime soon. What has changed through this year is the nature of that spend. In the last year, we've pivoted towards more growth-oriented investment including things that you've heard about today, building the Bendigo Lending Platform and the rebuilding of our Business and Agri division. Tying back to what you heard earlier in the breakout sessions, and starting with Up, Up does not materially impact investment spend, per se. It's about investment in people and marketing spend.

The rebuild of our Business and Agri division is in flight. We noted in the one-half result that we had book summary structuring costs and this is expected to continue into the next year as we complete this program. And the Bendigo Lending Platform is also in flight. We finished most of the build for our broker partners and we'll move to complete the balance of the program into the next year. In respect of the key benefits we expect to realise through our investments, starting with Up, we do expect strong lending growth at a multiple of system funded by the ongoing strength of its customer acquisition engine and deposit gathering capabilities. On Business and Agri, we expect to grow above system in business lending over the medium term. And the introduction of our new Bendigo Lending Platform for brokers will bring both revenue and cost benefits. We expect to deepen our relationships with broker-introduced customers who today have 1.7 products with us.

We believe we can lift this to two to three over time. And with a largely automated assessment process, we expect to see meaningful reductions in the cost of manufacturing mortgages in the next few years. This will provide us with significant scale benefits. Now, today is not about financial specifics. What we will do at our full year results briefing is provide further information on spending curve through this year and any changes to future investment spend.

And finally, we've previously talked about the four building blocks to generating a return on equity above our cost of capital. Deploying capital in the most profitable channels is a discipline we have embedded in our business. As Marnie highlighted earlier, we are deploying that capital into our growth engines and building sustainable returns at the same time. So to recap our four building blocks to our target return on equity are, first of all, a continued focus on cost management. As you saw earlier, in the last four years, we've contained our business as usual cost growth to just 0.5% per annum.

Second, we'll continue to invest in our deposit gathering franchise and expand our digital deposit gathering in both Consumer and Business and Agri. Third, we will diversify our balance sheet with the rebuilding of our Business and Agri division. And fourth, we'll continue our disciplined approach to deploying capital into those home lending channels where returns are most attractive and where growth opportunities exist. This means deploying capital into digital mortgages via our proprietary brands, Up and BEN Express, and through our partnerships with Timely, Qantas, and NRMA. It also means utilising our new Bendigo Lending Platform where we've started to grow again in this large and important channel of broker-introduced lending, and we look forward very much to updating you with further financial detail in August. I'll now hand back to Sam to facilitate the Q&A.

Sam Miller:

Thanks, Andrew. I'd like to call Marnie, Ryan, Taso, and Adam to the stage if we can. We also have Louise, Bruce, Xavier, and Taso here if you have further questions, so happy to open the floor up.

Brett Lemaitre (Perpetual):

Thanks. It's Brett Lemaitre from Perpetual. I was actually interested in a detail from the trading update that you gave, which was the net interest margin went up materially from the first half to the first four months of this current half. And I was wondering for the reasons for the large increase, which looked like it was the best part of 10 basis points.

Andrew Morgan:

So, what we announced, Brett, was a year-to-date margin. And actually, if we go back to what we said in the first half, what we said has actually come to pass, and so what we said was we expected to continue to see benefits from our replicating portfolio. That's happened. We said we'd continue to see our fixed rate loans mature, high retention rate, and mostly, those customers choosing a variable rate mortgage. There's a tailwind in respect of margin, that's played out. One of the things that I know you're all interested as well is the switching behaviour out of transaction accounts, and we've talked previously where we've said that is slowing down and we're also starting to see more customers choose a savings account instead of a term deposit. That has also played out. We also said that our exit margin was higher than the second quarter average, so everything that we said played out.

Brett Lemaitre (Perpetual):

And is the margin still increasing?

Andrew Morgan:

As we said, everything that we said at the first half has played out.

Brett Lemaitre (Perpetual):

So, it still applies all those characteristics? They're still at play?

Andrew Morgan:

Yes, they do.

Sam Miller:

Sally. I'd like to just hand over to Sally there, Eleisa. Just over near Joe with the camera.

Sally Hong (Morgan Stanley):

Hi, Andrew. It's Sally Hong from Morgan Stanley. So with the strong deposit growth in the digital space, how do you expect digital deposits to change your overall deposit mix over time and the average cost of funding?

Andrew Morgan:

So, we are seeing really good growth in digital deposits and we've talked about a couple of examples in particular with Up, which you've heard about today through Xavier, but you've also, no doubt, heard about the EasySaver Product which we've now put in Up, and that is proving to be a great success. So we're seeing now 60% of our new accounts being opened coming through that app. Look, we have a very strong deposit gathering franchise as you know, it's one of the reasons why we feel confident about our long-term perspectives on return on equity and reducing our cost-to-income ratio towards 50%. And so we have very positive hopes for how that digital channel will continue to emerge. Now, all of that said, the power of our proprietary network and our community-backed network is a phenomenal engine in respect of gathering deposits. That still represents over two-thirds of our deposit base today and that is not something that we should take lightly.

Sam Miller:

We'll go to Victor, please, Eleisa.

Victor Guerin (Macquarie):

Thank you. Victor Guerin from Macquarie. Appreciate Marnie, you told us to stay away from financial models, but just to gently coming back. You've obviously done a lot of hard work and you've showed us a lot of investment has gone into the platform. We haven't really seen, if we're looking at the P&L, any cost benefits come through, and you're telling us that investment pipeline is still staying, and these levels are going up. Maybe can you just talk a little bit more about what is it that you're doing going forward, where the investment dollars are being spent? And why are we not seeing some of the cost benefits coming through, at least through the operational expenses line?

Andrew Morgan:

Well, Victor, I would argue that keeping our cost growth below inflation over a protracted period is productivity, so there's…

Victor Guerin (Macquire):

The last two years, it's actually been going up…

Andrew Morgan:

But things go in cycles. There'll be some years where it might be a little bit harder, there'll be other years where there's not. We've talked for best part of 18 months, two years now, about the work that we're doing around productivity and we've brought a capability into the organization. And so what we've been doing is not just one thing, we've been doing multiple things across our business to, for example, reduce supply numbers. For example, to renegotiate contracts. For example, to look for productivity savings in our operations team using this productivity discipline, but also, with the investments that we're making at the moment, we believe, particularly with the new lending platform that we've talked about, that will see material reduction in our cost to manufacture mortgages over time. Now, what that translates to in respect of cost is really a function of the volume that we put through that platform and the nature of the complexity of the loans, but we have a lot of confidence in the investments that we're making, that they're not just about revenue, they're also about cost as well.

Marnie Baker:

And productivity will usually lag the investment, too, so we do have to look at it over a longer period of time, because not everything will have payback in that same year that the investment's made.

Sam Miller:

We might move to John just here. Thanks, Eleisa.

Jon Mott (Barrenjoey):

John Mott from Barrenjoey. Over the last many years, we've always heard a new technology's coming along, *"We're going to roll out ATMs, we're going to roll out... Go through internet banking, we're going to roll out telephone banking, we're going to roll out apps," now we're rolling out digital. And every time,* *we hear, "This is going to be a great efficiency gain, this is going to really put our cost down and our revenue's going to expand, and our ROE is going to expand."* Never has it occurred, because all that happens is that all the competitors in the market do the same thing and the customer becomes the winner, and the benefit of the technology goes to the customer and not the shareholder. Why would it be different this time?

Marnie Baker:

I think that's probably a conversation we could have over dinner one night, John, because I think you're right in a lot of respects. I sit here on behalf of the customer and the shareholder and I think, as customers ourselves, we're hoping that we do get some of that benefit to ourselves, but you're right around from a shareholder perspective. Look, technology, and maybe Ryan might want to add to this too, because he's been in the technology field for a long period of time, but you do see technology come and go. I think we talked a little bit today around AI and I'll probably say more specifically generative AI, that's going to be as big as the internet was, and we've only just touched the top of that at the moment. And look, it's got a dark side as well as a light side to it, and I think that's what all organisations are thinking through at the moment, about how you use it for good and keep away from those that are trying to use it for bad.

I think we're getting better at it and I think the fact that we're able to regenerate technology now, and a lot quicker than we used to, means that you can actually get the benefit and get that benefit quickly before it actually does move on to the next. And it's not as costly to actually lift to that next piece of technology, or whatever it is that comes through. But Ryan, do you-

Ryan Brosnahan:

Yeah, I think it is a great observation, John, but I think the democratisation of technology that's happening at the moment is actually really advantageous for an organisation our size. We've always been challenged, because the cost of entry to a lot of those technologies you mentioned is actually quite high. Whereas, with cloud now, with APIs, with AI, that cost of entry reduces and enables organisations our size to actually, one, be able to develop experiences that are similar to those with 10 times the investment budget, but also, and this is really critical, where we've been able to prove with a lot of the things we've been doing with Up, we're able to move much quicker. And speed equals value when it comes to technology, so if we can operate in a way that enables us to get relevant experiences to market much quicker, that represents value. The other key points on that is that as AI... I agree with Marnie, we're obviously at the very start point of AI, but I think that creates some really interesting opportunities as well.

Sam Miller:

We might go to Andrew in the back centre.

Andrew Lyons (Goldman Sachs):

Thanks, Andrew. Just a question on your CTI target of falling towards 50. If I look at consensus, it looks like we're expecting sort of two to three per cent growth, so call it around at inflation. Over the next couple of years, your cost to income ratio for consensus stays about flat in the high 50s, so it doesn't really move lower. Suggesting that you have a more positive view on the revenue environment than maybe we do, I guess my question is, can you just... When you have that view based... But are you basing that view, I guess, more on cyclical factors, which you can't really control? i.e., just how pricing environment might change? Margin environment, etc.? Or is it more around some structural factors around what you're actually doing in relation to the mix of the business and the like?

Andrew Morgan:

This is about what we can control, Andrew. Of course, we are not price makers in market, we're price takers, but we know today that, and you all know this as well, we haven't really grown in broker-introduced lending for some time now and, as we've said repeatedly over the last few years, the economics hadn't made sense. And I think we'd all concur that the economics in certain channels is now improving, and you can see that through the Reserve Bank stats. And as you've heard from the platform discussion today, we've got great opportunity there. We've got a lot of appetite from the broker community. Ours has never been a demand issue, if you like, it's been a supply issue. Where, in certain cases where the economics don't make sense, we've not been willing to put our capital to work. Where we have been putting our capital to work is in digital mortgages of late, but now we're starting to see that economics across a number of channels are starting to improve.

But all of this is possible, of course, because of the strength of our deposit gathering engine that we have, which is underpinned, again, by the physical network that's there. So the power of both our proprietary network and our Community Banks. And now, increasingly, through digital deposits. And so as we think about that cost-to-income ratio, it's about both sides, and we know that it's about... It's both a revenue story and a cost story. It's not one, it's not the other, it's both. And the technologies that we've talked about through today actually deliver us both.

Sam Miller:

I think I might go to Ed, please.

Ed Henning (CLSA):

Just following up from your answer on that question, just two things. Firstly, you talked about capital investment. In the ROE walk, you don't talk about that much. Can you talk about... Are you going to use the excess capital just to invest in both technology and for growth, or is there potential to return some? If you continue to grow, you should generate capital as well, as the first part of the question. And the second one, you talked about economics in the last answer to Andrew's question. Can you just talk about the difference in the economics between the broker channel, which you've now got a new system for, and the community branch channel? Is there any different in the margin that you get, so it doesn't matter what channel you go through, or is the broker channel going to hurt your margin if you grow that faster?

Andrew Morgan:

There's a lot in that question, which one do you want me to go to first?

Ed Henning (CLSA):

The first one on capital.

Andrew Morgan:

So we've said through today that we are deploying a proportion of that, if you call it, excess capital that's there now. No decisions to talk about at this point about if there's excess capital left over after we deploy, but at the moment, on the basis that we can generate good return on equity returns through deploying that capital sensibly, we'll do that.

On the second one, in respect of economics, and this is not new news, we've previously talked about this today, and we've done a lot of work to understand the economics of all of our channels, in particular understanding the cost to produce a mortgage through our various channels, we've been consistent in saying that our digital mortgages are our strongest returning channel, and that's why we've been putting our capital to work. As we've seen the economics improve somewhat in broker-introduced lending, that's a channel that's starting to become more attractive and it's pretty close to the sort of returns that we are interested in.

Our proprietary network is there or thereabouts with... It's somewhere between those two and community returns because of the way that the revenue sharing works is the lowest returning.

Ed Henning (CLSA):

So broker-filing community?

Andrew Morgan:

Yep.

Marnie Baker:

Don't waste the opportunity today, we've got all of the executives in the room too, so...

Sam Miller:

We might go to Andrew Triggs, if that's okay.

Andrew Triggs (JPMorgan):

Thank you. Just on the business bank, obviously... That's probably, of the three streams today, your furthest behind and less well-advanced on plans to address it. Just talk to the investment required in that division in order to drive the sorts of improvement in the offering and the growth potential.

Marnie Baker:

Do you want to talk... Why don't you take that, Adam? Instead of Andrew talking, go to the growth potential.

Adam Rowse:

Yeah. Look, as I outlined in the session, I think there's huge growth potential coming through multiple different streams, so whether it's from our branches or direct from our relationship bankers through the broker channel. And then, as we build out the digital capability, that's a huge opportunity for us. I also mentioned in the session, not sure if it was the one you were in, that look, we have great support from the Board from a continued investment perspective in terms of this channel. In terms of what that is specifically, I might defer to Andrew if he wants to talk about that as we work through what next year looks like, but it's been a significant investment in this year and it looks like it'll continue to be a significant investment over the next few years to help us fulfil that need.

As we said in the session, this isn't a once-and-done, we have a big plan to be able to build out capabilities. By the end of it, we want to be able to meet every single customer's need digitally, but also through our relationship and banking and our branch network. So big opportunity for us, it will require continued investment over time.

Andrew Morgan:

The large part of the investment, though, Andrew, is through this year and next year. And through the first half results, we talked about some of that, there'll be an amount in the second half, and then we'll talk further about what next year might or might not look like at August results. So it's over these couple of years.

Sam Miller:

I think we might move down here to Jeff. Just give us a moment, Jeff.

Jeff Cai (Jarden Australia):

Thanks very much, Jeff from Jarden. Can you give us a sense of when you expect to achieve those target rowing, and is it still greater than 10%?

Andrew Morgan:

We've said pretty consistently, Jeff, over the medium term.

Jeff Cai (Jarden Australia):

Which is?

Andrew Morgan:

Over the medium term.

Jeff Cai (Jarden Australia):

Okay, and then...

Andrew Morgan:

It's been a bumpy last year or so with the mortgage wars, as we all know.

Brian Johnson (MST):

And then, respectfully, slide 31.

Sam Miller:

Hang on just one second for a moment. BJ, just let Jeff finish his question.

Jeff Cai (Jarden Australia):

Sorry, just a follow-up question. So on the cost side, I mean, we've heard lots about process improvements in lower manufacturing costs. So in your mind, are you expecting a big step-down in your absolute costs in FY27?

Andrew Morgan:

The way that we think about it is there's a combination of both revenue and cost. I think it's fair to say that there's a degree of growing into a cost base, because we have more scale from reducing cost to manufacture. But there's benefits on both sides of that equation.

Sam Miller:

Brian…

Brian Johnson (MST):

Brian Johnson, MST. Congratulations on really good presentations and also congratulations on actually achieving something. Often, we come along to these things and it's all about jibber without actually seeing very much, so well done. That said, Andrew, we can't avoid the issue, which is slide 31 from the first half result. We specifically said, "FY'26 return on equity in excess of cost of capital, cost to income ratio towards 50%." I'm sensing a little bit of reticence on the FY26 number, but the subset of the question within that, when you say, "Return on equity in excess of cost of capital," can you quantify what you think your cost of capital is, and is that, could that be just predicated on a continuing very low loan-loss charge? Your long-run loan-loss charge is 10-12, are we talking about earning your cost of capital on a normal loan-loss charge? The FY26 number?

And also, could we get a feeling on what happens to it as rates fall? Because we're in a bizarre environment at the moment where rates are high, which is great for a deposit business, but we're also getting positive mark-to-markets effectively coming through the replicating portfolio. If rates fall, that might go the other way. Is that a risk? So I apologise if that was long and rambly, but you guys created slide 31, not me.

Andrew Morgan:

Gosh, Brian, where do I start? So let me actually turn this around a little bit and say the return on equity target that we think about is based on everything that we know today, and what we know today is that we've got one of the lowest loan-loss charges in market, we have a very conservative credit risk appetite, and the experience that you see through our numbers would suggest that that is absolutely true. When we think about return on equity, we think about those four growth engines. We think about managing our costs tightly as we've done over the last five years and we've proven that we can manage our costs in a high-ish inflation environment, at least through the cycle below inflation. But we also know we're coming from a long way back in a couple of areas. We're coming from a long way back in business and agri where we've shrunk market share over the last few years and we see opportunity to grow our share back in that business and, importantly, at attractive returns.

We have a phenomenal deposit-gathering business, and that is really the key to our business, because that ability to gather costs and not necessarily higher-cost deposits actually gives us the ability to make loans and then to ensure that, as we're writing loans, we're meeting our return hurdles. And we're being really cautious about the way that we deploy capital, we've been saying this for a couple of years, that we will look very carefully at all of our channels and we'll make decisions about where we allocate capital, ensuring that we do cover the cost of capital that we calculate internally.

Brian Johnson (MST):

And rates?

Andrew Morgan:

We've taken into account rates as we've thought about that-

Marnie Baker:

The cost of capital.

Brian Johnson (MST):

Cost of capital [inaudible 00:50:24].

Andrew Morgan:

Of course, there's a risk there, Brian. And who knows what sort pricing behaviour might be happening in market in both lending and deposits over that time period? All we can do is make the best judgements based on what we know today.

Brian Johnson (MST):

That's what you just said.

Andrew Morgan:

I didn't say that. No, don't put words in my mouth. I didn't say that.

Sam Miller:

Let's move on to Azib, please.

Azib Khan (Evans and Partner):

Thank you very much. Azib Khan, Evans and Partner. A couple of questions if I can, maybe three. A third quick one as well. The first question might be for Andrew and for Richard. In response to Victor's question about cost efficiency and cost profile going forward, Andrew, I heard you say some of the cost efficiency improvement will depend on the nature of the complexity of the loans that you put through the new system. From what I've heard today, it sounds to me like the new lending platform is ready for the vanilla simple PAYG-type loans. Traditionally, one of your strengths has been construction loans. How long will it take to be ready in that space, and as it takes time to be ready for the more complex loans, does that mean you'll be putting through a higher percentage flow of the simpler loans through in the near term? And what does that mean for your margin? And then I've got another couple of questions.

Andrew Morgan:

Okay, I'll throw Richard on it.

Richard Fennell:

All right. So right now, we are not limited to just PAYG, we're also taking self-employed revenue or income through that new system. But yes, we have not yet built out construction and bridging loan capability. That will be available in the next few months. Having said that, we are not limited, for example, to owner-occ, P&I, low LVR, which will be the lowest price. Yes, we're happy to write those loans, as they also attract the lowest amount of capital, and we price those to achieve an appropriate return on that lower capital. But we're also out there writing investor interest-only, et cetera. So there is a reasonable mix of loans through there. We've got an interesting decision to make once we have that capability, and I'm not sure which session you are in, but I mentioned in one of the sessions that building that capability is actually primarily for our proprietary channel to make sure we have a full offering through our retail network, where we're looking to bank the local community in which we operate.

How much appetite we have for those more complex loans through the broker channel remains to be seen. I suspect there will be certainly some, but those loans come with more cost, because the complexity of managing those loans. In particular, construction, because there's an ongoing processing requirement, and so you need to charge a premium on those.

Azib Khan (Evans and Partner):

Can I take your last point to mean that you can only automate construction lending to a certain extent?

Richard Fennell:

Correct.

Azib Khan (Evans and Partner):

And so just to come back to the crux of the question. In the near term, can we expect a higher percentage flow of the simpler lower margin loans to go through the platform?

Richard Fennell:

Construction was never a huge proportion. So look, yes, in third party, you're not going to see any over the next few months, so it will be a low proportion, but it's not such an impact on the weighted average interest rate of the volume we write there that it's going to be a material impact. What has more impact is the proportion of investor and interest-only loans, which attract a significant premium from an interest rate perspective and tend to be a higher proportion than things like construction and bridging.

Azib Khan (Evans and Partner):

Thank you. Second question might be for Andrew. As you move into the migration phase of Adelaide Bank, can we expect the percentage of investment spend expensed to rise? I think, at the moment, it's in the low 40s. Does that end up creeping up to over 50% over the next couple of years?

That's a number that's hard to pin down, because it's based on the nature of the investments we're actually making Azib. So we make decisions about what we can capitalise and what we can't, depending on the nature of the investment. So if there's a long-term benefit there, then we assess that for whether it can be capitalised or not, and then we look at the useful life of that asset and we'll amortise it over that useful life.

Azib Khan (Evans and Partner):

Just one final quick one. Andrew, you highlighted the strength of the liquidity position as part of the balance sheet metrics, and you've compared that to your peers. You currently have an LCL of around 150%. Is it fair to say that's a temporary phenomenon in light of TFF- repayments, or are you looking to keep your LCR at around 150%?

Andrew Morgan:

I think, as I said in my speech, we would typically run lower than that. And so we've got the last of the term funding facility repayments coming up over the coming weeks and we'll settle back down to our normal operating range.

Sam Miller:

Richard…

Richard Wiles (Morgan Stanley)

Thank you. Richard Wiles, Morgan Stanley. Marnie, one way you could interpret today's presentation is to say that you have settled on the strategy, you want to be less complex, have less systems, less brands, and then, with those foundations in place, you can grow. That leads me to ask a couple of questions. One is, are there any gaps in the strategy? And two, should we interpret it to mean you don't want more brands and you don't want more systems and that makes the likelihood of any acquisitions, including bolt-on acquisitions, lower?

Marnie Baker:

I'll start with the second part there, I think, Richard. We're getting to there. Look, as you can see, we've got a lot going on in our organisation, it's been a huge transformation programme that's now spanned years, and you're seeing that transformation or the benefits of that transformation coming to fruition. We're really focused, we're really focused on delivering what we need to deliver within our own organisation, so I'll say, organically, that is our focus. If an opportunity came along that actually added to that, that meant that it gave us something that we needed as part of our focus that we've got going forward and our strategy going forward, yes, we'd have a look at that, but it would actually need to be accretive in a sense of... not only financially accretive for our shareholders, but it'd need to be accretive from a strategic perspective, too, because it makes no sense to just bolt something on because it's there for the long term, so unless it actually makes sense from a strategic perspective.

Richard Wiles (Morgan Stanley):

So, any gaps? Are there any... What you said, it's got to make sense strategically (Marnie Baker, Yep), it's got to add to capability. You've talked today about what you're going to do in mortgages, you've talked about the huge opportunity in business and agri, you talked about equipment finance as part of that. Are there any obvious gaps?

Marnie Baker:

I think Business and Agri, whilst it wasn't a gap in a sense that we're already there, we hadn't capitalised on the opportunity that we had, so that's been the focus. And I think, from our perspective, that's actually been the gap. Going forward, I think you're going to see quite a bit of change from an industry perspective. I think, without going too far into the future and sharing publicly my own personal thoughts sometimes about what that actually looks like structurally in the future, I think we're going to be having some very different conversations in a few years’ time. And so a gap now may not be a gap now, but as you move forward into the future, we may see that there are other things that we need to be looking at.

But right here today, our focus is on the strategy that we've got and optimising the assets that we've put in place now and the foundations we've put in place, recognising that business and agri was a little behind, and there was a conscious decision of where our investments went over a period of time when we needed to make those priority calls. We're now doing the catch-up, I suppose, with B&A, and over the next year or two, that's got to be our focus.

Sam Miller:

Matt, please.

Matt Dunger (Bank of America)

Thank you very much, Matt Dunger from Bank of America. Perhaps following on from that, just on the partnerships you talked about, the work you've done on the API's is creating greater flexibility. Can you talk to what you're working on at the moment and where you're looking at to partner?

Marnie Baker:

In a technology sense or... Because we partner across all. Yeah, all aspects of the-

Matt Dunger (Bank of America):

The related revenues, I assume that's what you're talking to?

Marnie Baker:

So from a... Ryan, you can probably talk from a technology... Actually, Adam, why don't you talk from-

Ryan Brosnahan:

Maybe I'll start and then Adam's got a good use case as well, but in terms of how we've architected our technology, it's very much been around, how do we set ourselves up, so that we don't have to build, so that we can either build or buy to create great experiences for our customers? And that's been a really critical part of the strategy, which then flows into the work that Adam's doing to build out the business and agri proposition where we're leveraging that API-enabled capability to partner, to build out that proposition. Adam?

Adam Rowse:

Yeah. I mean, I think that's the key, is that as we said in the session, we're building a foundation today on the Salesforce platform with Encino, and others. And the beauty there is, to Ryan's point, is then you can plug in things far more readily, and that's the opportunity for us. And we are looking at multiple options about where you would plug into that to make it faster and better for our customers. I won't go into detail, because we're talking to different partners about where we might bring those on board and how they might work for us, but it is exciting to be able to leverage those capabilities, that tech. And where it's going is phenomenally exciting.

We talked briefly in the session at the end one there in terms of where you move forward with some of this. The ability to do behavioural credit monitoring, remove the need for annual reviews, but actually get ahead of the assessment and say, "I can tell you what we can lend to you tomorrow before you even ask for it." That's the future for us and that's how we're thinking. And then we're talking to partners who are able to deliver that type of feature.

Matt Dunger (Bank of America):

So this is cost and capability more than revenue opportunities you're talking about on the partnership side? Is that...

Adam Rowse:

I think it's a mixture of all of them. It's cost, capability, and very much revenue. The ability for us to more readily cross-sell with a click of a button, as opposed to coming in or even calling, or whatever. Or going through even an application, that changes. And yes, so revenue opportunity, but then downstream costs, to Andrew's point about the manufacturing costs, they disappear over time.

Marnie Baker:

From a revenue perspective, too. I mean, we also partner in a distribution sense. So Qantas is a really great example of that. Tiimely actually supports us from a platform perspective, or a lot of the brands that we have from a platform perspective, which, they are at the leading edge in relation to the platform that they're providing, so you get that productivity and that cost benefit there. We're also getting the revenue benefit from the business that's actually being written and onto our balance sheet. So a lot of the things that we're doing, and even the three things that we showcased today, really do look at revenue, cost, productivity. And you'll see that you'll have each of those streams running through any of the things that we're doing.

Sam Miller:

Any more questions? Azib?

Azib Khan (Evans and Partner):

Thanks very much. Andrew, I know you did say you'll give us more detail on the investment spend profile at the four-year result and that today's not about financial specifics. However, today you've laid out some very comprehensive plans about what you'll be doing out until FY '27. You've got very good visibility on your spend in terms of what you've laid out qualitatively. I would like to understand where you think the investment spend will peak, or when and where does the investment spend peak?

Marnie Baker:

Can I just say there... because I know there's a lot of people who are looking for guidance on these, and I understand that, but there's things that we can control and there's things that we can't. A really great example of that when we talked about the fact that we had targets in relation to, so the consolidation of systems. We saw a really big uptick from an industry perspective in relation to scams and fraud. And there was a recognition we needed to reprioritize some of our investment spend into addressing that to ensure that that wasn't falling through to the bottom line of the bank, and that we're looking after our customers and protecting their funds. So that's an example of something that actually does change in that period of time, and that's happening all the time, because we can't control what's happening externally, but we still need to react to it.

So whilst we can give indications, and hence why you hear us say "Medium term" or something a little bit more generic than giving you a specific date, that's why. It's not because we're trying to withhold things from the market, it's because there are some things in our control and there's some things that aren't in our control, and I know the market will hold us to everything that we say.

Azib Khan (Evans and Partner):

Marnie, on that. I mean, Andrew did say your ROE target is based on what you know today. So my question is, based on what you know today, where does your investment spend peak, and when and where does it peak?

Andrew Morgan:

Well, Azib, we will provide more detail in August.

Azib Khan (Evans and Partner):

I'll just push my luck on that. Is there a reason why we can't have-

Andrew Morgan:

Can I... Sorry, let me finish. I said we would provide detail in August and I also said through the course of the speech that we don't envisage investment spend falling anytime soon. We know what we know today, so we've laid out programmes that are in flight today and they'll run their course over the next year, two years. There may well be things that come up in a couple of years' time, we've made judgments about that. It's not appropriate to have that sort of discussion today, but we'll absolutely have that discussion at the right time.

Sam Miller:

Excellent, we might just go to Michelle now.

Marnie Baker:

We also have approval processes within our own organisation that we actually need to go through, so the timing of those also goes into when we will give any updates to market.

Michelle Wigglesworth (Australian Ethical)

Michelle Wigglesworth, Australian Ethical. I'll ask a non-financial question. How do your community banks feel about your push into the broker space and if you might be taking any loans that they would be getting otherwise?

Marnie Baker:

Richard, did you want to take that?

Richard Fennell:

Yeah, really good question. This is not a strategy to try and take loans away from our retail network. What we're looking to do is provide a more competitive offering to people who walk into a broker today looking for a loan. The community banks are actually looking very positively at this opportunity, because right now that customer that walks out of a broker, more often than not, they're taking a competitor loan. But let's say they took an Adelaide Bank loan. There was no ability for that Community Bank or any other channel within our business to cross-sell any further products to that customer. Today, if they walk out with a Bendigo broker loan, there's an opportunity for that Community Bank, if that person is in that community, to be sold additional products on the back of that relationship that we now have with the customer, and an opportunity there for the Community Bank to generate some revenue that is shared then between ourselves and the Community Bank. So they're looking at this very positively as an opportunity to get access to more customers that they are not getting access to today.

Adam Rowse:

Just to add to that as well. As I talk to them, we've never really given the opportunity to do much in the business and agri space, and we're now adding that as an opportunity for them to really lean into, and they're really excited about it. And we actually have had customers who've come to me recently and said, "If I bank with you, if I switch my banking over, will my community get benefit if I go through them?" The answer is "Yes," and we've had them join us. So there is real opportunity for them to lean more into that space when we're able to meet the demand.

Sam Miller:

Thanks, Michelle. Yes?

Eric Johnston (The Australian):

Thank you. Eric Johnston with the Australian. Marnie, what's the higher-hanging fruit in this journey? So as you move forward, what's the really critical moment?

Marnie Baker:

I think I alluded to... I know, Eric, you didn't get to hear me earlier on in the day, but I'm sure someone will catch you up. We're still hitting that, where we're on one core banking system, is really key for us, because it's not just the core banking system, as Ryan outlined. The core banking system has all the other applications that actually stem off it, so that means you've got multiple internet banking systems, you've got multiple CRMs, you've got multiple whatever it actually may be. So getting to that point really does solidify the bank and that's where we will get a really good productivity uplift. Now, I know you'll hold me to this, and I said before, it actually takes some time, that productivity uplift. So it doesn't happen the day that you actually turn off old systems, it happens over time, because you have to change the way that you work as well.

But that is really fundamental for us. Fundamental because most of our systems had their own brands attached to it, their own business models, et cetera, so that's huge, and that will really simplify. In doing that, then our investment can be very much focused in the areas that needs to be to be able to grow, to be frank. And we talk a lot about the fact that it has to be sustainable growth, and part of being able to have that sustainable growth is having a cost base that allows you to make an appropriate return for that growth. So I think that's in this short term, that's fundamental for us, because that's going to open up and unleash the opportunity we have. Because you've heard it a few times from everyone, we don't have a demand problem. We do not have a demand problem. And it's a lovely problem to have, not having the demand problem, but it is really frustrating as a customer-led and focused bank, when you cannot provide the service or the products to customers when they're wanting to actually take that from you.

Eric Johnston (The Australian):

And where will you be in FY '27, in terms of what can the customer expect? What can investors expect?

Marnie Baker:

Yeah. Well, hopefully, progressively, and we're not waiting until FY '27. But hopefully, customers are now starting to see, because there was a lot of, I'll say, below-the-line or foundational stuff that needed to occur, which was in... and it was, a lot of it, technology-based. And now we’re starting to see... Hopefully, in our customer's hands, you'll start to see the benefits of the changes that we've been making. So we're not waiting to FY '27. I know some of the charts, we talked about where we'll get to... We get really, really big benefit, I suppose, or starting to lead in the market in certain segments, but we're not waiting for that. It's about dropping different changes along the way, so the... And I hope that our customers are sitting there going, "Gosh, I can see the change in the algorithm. Gosh, that's really helpful for me. Gosh, I can see why, and maybe I need to now think about actually moving that business that I couldn't before - or Bendigo wasn't able to help me with before. And I don't have to go through multiple systems or multiple brands or those things to get there”.

Sam Miller:

Well, thanks, everyone, for the Q&A. We might have Marnie wrap up for the day.

Marnie Baker:

Thank you. So there has been a lot to take in today, and we recognise that. And we don't want the conversation to finish just today. And why I was trying to field you towards the other executive that are here, you get access regularly to myself and Andrew especially, and through Sam. So use the time to actually speak to the other exec that are here who will give you a lot more detail into their respective parts of the business. I hope you actually are, in leaving here today, as excited about the opportunities we have as what we are. And by all means, Brian, hold us to account. We are and we will continue to be transparent. Some things have taken a little longer or we've had to take a different route to get to our intended destination. However, we haven't walked away from our commitments and our objectives have not changed. Five years ago, I stood in front of the market and outlined a bold vision for our future by reducing complexity, investing in capability, and telling our story is how we would transform our business.

Whilst we're still in those final stages of the core banking consolidation and rationalisation of brands, we have delivered on what we said we would. And today, we've outlined our next bold phase to leverage meaningful customer connections through the power of digital to grow our market share. We are confident we can deliver on that, too. Digital by design, human when it matters. We're excited to enter into this new phase and deliver a seamless and competitive banking experience that will allow us to tap our strong pipeline of demand like never before. The investment spend that we've outlined will accelerate our growth and create value for our customers, our people, and our shareholders. We have the strength, we have the capability, and we have the unique set of characteristics that our customers feel connected to and makes people want to bank with us.

We're in a really good position. Bendigo Bank is the only credible challenger to the majors. No other bank has the unique set of assets that Bendigo has, and our plan is to optimise this opportunity. So thank you, everyone, for your time today, and please, if you can, stick around and continue the conversation. Thanks, everyone.