Company:	**Bendigo and Adelaide Bank Limited**
Announcement:	**Regulatory matters and a summary of unaudited FY26 results**
Date:	**18 August 2026**
Time:	**9:00AM AEST**

[START OF TRANSCRIPT]

Sam Miller: Good morning, everyone. Thanks for joining the call. I'm Sam Miller, GM of IR at Bendigo. Today we have our CEO, Richard Fennell, and our CFO, Andrew Morgan, on the call. Richard will run through the ASX announcement and Andrew will provide an overview of our unaudited key financial measures for FY26. Today is not a deep diagnosis of our full-year results. It's a high-level overview and therefore we'll take one question per caller. I'll now hand over to Richard.

Richard Fennell: Thanks, Sam, and thank you all for joining us at short notice. This morning's announcement covers a number of items and I'd like to summarise them for you. But before I do, I want to make one thing absolutely clear. Bendigo Bank's management of non-financial risk is not where it needs to be.

My number one priority and the number one priority of the Board is to fix these issues and ensure the Bank meets the expectations of all our stakeholders in the identification and management of non-financial risk.

As has been announced this morning, APRA has imposed licence conditions on the Bank following identification of deficiencies in how Bendigo Bank has been managing non-financial risk. In response to this, the Bank is establishing a multi-year program of work to address these deficiencies and meet the licence conditions.

Under these conditions, the Bank will be required to prepare a comprehensive rectification plan in line with APRA's directions, implement that plan and appoint an independent reviewer to oversee the implementation of the plan.

The conditions stem from a non-financial risk review and root cause analysis requested by APRA in December 2025 to understand the extent of non-financial risk issues at the

Bank. This followed the findings of an independent AML/CTF review initiated by the Bank and completed in November 2025.

The non-financial risk root cause analysis has found significant weaknesses in our management of non-financial risk resulting in today's announcement. Accordingly, the rectification plan will strengthen our risk management practices, clarify accountabilities and improve our risk capabilities.

This program is expected to take up to three years at an initial estimated cost of $70 million. That amount has been provided for in the 2026 financial year results. Andrew will provide more detail on the treatment of this provision and other items impacting the FY26 results shortly.

The plan will drive a fundamental shift in our approach to non-financial risk and embed it into all aspects of the organisation, ensuring we can continue to deliver for all of our shareholders, our customers, our people and our communities.

We've worked collaboratively with the regulator throughout this process and as you'd expect, reflected deeply on the shortcomings identified, taken some time to understand the root causes and are working hard to ensure our plan will address these issues in an enduring way.

APRA has not announced any additional capital overlay beyond the previously announced $50 million, which came into effect on 1 January of this year and there are no restrictions on the operations of the business.

However, there is significant work ahead of us. The rectification plan will be the number one priority for the Board and executive team and will be directly led by me. Importantly, our balance sheet remains strong.

Our common equity tier 1 ratio is unquestionably strong at 11.34%, and our liquidity coverage ratio remains well above the Board target and was at an average of 140.2% for the most recent quarter. Our high quality deposit franchise continues to support growth in deposits, and our uplift in risk management will ensure we continue to allocate capital prudently for the benefit of our shareholders.

We look forward to providing more details on our performance and our progress at our full year results next Monday 24 August. I'll now hand over to Andrew to talk through key aspects of the FY26 results and the changes we're making to our cost recognition approach for FY27.

Andrew Morgan: Thanks very much, Richard, and good morning, everyone and thanks for joining us at short notice this morning. Given this is an unaudited set of results that we're releasing this morning, I'll keep the commentary fairly brief and then we'll go through the detail on the 24th August during our normal earnings call. I'll focus most of my comments shortly on the half-on-half result.

The preliminary cash earnings for financial year 2026 is $530.2 million, which is an increase of 3% on the prior year. Second half FY26 preliminary cash earnings of $273.8 million is a 6.8% increase on the first half.

This half income grew 2.6% and expenses reduced 2.1%, leading to operating performance growth of 10.6% on the prior half. We have increased our collective provision due to the macro environment and recorded a credit expense of $15.7 million for the second half.

With the improved operating performance, return on equity for the half was higher at 8.26%. In respect of balance sheet growth for the half, total lending grew 3.5% with strong seasonal growth in business and agri which was up 10% and a return to growth in residential lending up around 2%.

Deposits grew 1.1% for the half, but the real story is improved mix. Lower cost deposits grew 3% while higher cost deposits, which includes term deposits and offset accounts, reduced 1%. So that's led to an improved funding mix, with lower cost deposits now comprising almost 55% of total deposits, up from 53% just 12 months ago. Through careful management of our funding requirements, we've continued to improve net interest margin, printing 198 basis points for the half and 200 basis points for the fourth quarter.

On the margin improvement in the second half, there are three key drivers. The first is deposit pricing and in particular term deposits, which added six basis points. The second is replicating portfolio benefit which added three basis points and part offsetting this was lending pricing which impacted negatively four basis points.

Other income, excluding Homesafe, grew $6 million or 5.2%. Homesafe's contribution to other income increased $6 million or 29%, driven by a strong increase in the number of contract completions.

On costs, the three key drivers of cost reduction in the second half were, first of all, staff costs, which were down $14 million, or 4.2%. Second is licenced cloud and amortisation costs, which were up $2 million, or 2%. Then all other costs were down $3 million, or 2%.

Credit expenses were $15.7 million in the half, as I mentioned earlier, which included a $12 million increase in the collective provision. So that's the cash result. The statutory profit for the half was $144.5 million.

So that means around $129 million of difference between cash and statutory profit. There are five key items which comprise the difference. I'll describe these as after-tax numbers. The first is a new item which we're disclosing today and which Richard has just described, which is a $49 million provision for costs associated with our non-financial risk rectification plan in response to the licence conditions imposed.

The next three costs relate to projects which we have previously disclosed. The first is $18.7 million of restructure costs, the bulk of which relate to the implementation of our new strategic partnerships with Genpact and Infosys announced in early April.

The second is $6.1 million of costs associated with the migration of RACQ customers to the Bank. The third is $9.8 million of costs relating to the *Banking Act* penalty and associated legal costs, which was announced on 10 August.

The final item, which will not be a surprise, is the Homesafe result, which includes the mark-to-market adjustment and which impacted statutory profit by $45 million and was mostly driven by a sharp reduction in house prices in Sydney and Melbourne over the last five months.

Going into next year, we are changing our basis of disclosures. Consistent with our peer group, we will be moving to a basis of cash earnings, including and excluding notable items. For FY27, you can expect us to report on three key notable expense items, and I'll give you now the post-tax numbers.

We also provide you with the pre-tax numbers in our ASX release. The first is the cost to complete the implementation of our strategic partnerships. To date, we've spent $20 million after tax, so that leaves us costs of around $39 million to $46 million after tax to be incurred in FY27.

The second is cost to complete the migration of RACQ customers onto our core banking platform. To date, we've spent $6 million post-tax, so that leaves costs of around $19 million to $24 million after tax to be incurred in FY27.

Third is a one-off change to the methodology and timing of payments for our staff equity scheme of around $11 million to $12 million after tax. In aggregate, these costs will total between $70 million to $86 million after tax.

We expect each of these costs to be isolated to FY27. As a result, our costs, including notables, will be elevated in FY27 and return on equity, inclusive of notables, will be diluted in FY27. I'll now hand back to Sam to moderate questions.

Sam Miller: Thanks, Andrew. We'll start our questions now.

Operator: Thank you, and if you are on the phone and would like to ask a question, please press star one to join the queue and to withdraw your question, press star one again. When called upon, please pick up your handset or headset, make sure your line is unmuted and be ready to ask your question.

We do ask today that you limit yourself to one question so we can get through as many as possible. Your first question is from the line of Matthew Wilson of Jarden. Please go ahead.

Matthew Wilson (Jarden, Analyst): Yes, thank you. Good morning, team. Matt Wilson, Jarden. I wonder if you could just clarify the differences between an enforceable undertaking and the imposition of licensing conditions that we've seen in this circumstance?

Richard Fennell: Yes, thanks, Matt. Practically, the imposing of licence conditions versus an enforceable undertaking will deliver the same outcome. Our response in relation to either of those with the rectification plan would have been the same whichever regulatory vehicle the regulator choose to use.

This approach, however, does provide more flexibility throughout the course of the program. Rather than a court-enforceable undertaking, it provides the flexibility of scope to change over time and focus changes without the need for involvement of the courts.

Licence conditions have been used reasonably regularly recently in the superannuation industry. So they have been - we may be the first bank that I'm aware of where they're being used, but it's not uncommon more broadly across the financial services industry.

Matthew Wilson (Jarden, Analyst): No worries. Thank you.

Operator: Your next question is from Ed Henning of CLSA. Please go ahead.

Ed Henning (CLSA, Analyst): Hi, thanks for taking my question. Can you just touch on the expected expense of $70 million and how you're thinking about the initial one where you talked about $70 million to $90 million? Is there anything else included we should think about with the process?

With that, just relate it to investment spend. You talk about this being your number one priority. Are you going to have to take away from investment spend or are you just using this out of capital and attributing to this program on top of your existing investment spend?

Richard Fennell: Yes, thanks, Ed. The $70 million is on top of the $70 million to $90 million from an AML/CTF perspective. We've already well and truly started that progress on that front with uplift already in our transaction monitoring and a new operating model in place under Steve Blackburn leading that team and with additional resources going into our financial crime operations team.

This $70 million is separate to that. We think it will be expensed or incurred over around a three year period - up to a three year period. We've got - as part of the licence conditions, we've got 90 days to finalise the plan. So day one is today. So we're going be working in earnest to build out that plan.

We will have to make some tough calls because we will not look to increase our investment spend to include this on top of our previously planned investment spend. So there are some things that will need to be deferred or go on the backburner. We will need to work through that as part of this planning process, but we're not intending on the back of this, to increase our overall spend.

Ed Henning (CLSA, Analyst): Thanks for that.

Operator: You have a question from Andrew Triggs, JP Morgan. Please go ahead.

Andrew Triggs (JP Morgan, Analyst): Morning, thanks very much. Just a question around does this sort of preclude a financial penalty from AUSTRAC? Could you give us an update please on your conversations with the AML regulator and just whether that 11.3% CET1 ratio is sufficient to buffer any sizeable financial penalty you may receive from the regulator.

Richard Fennell: Yes, so that process continues and we obviously continue to cooperate with AUSTRAC through their investigation process. We don't expect to get further clarity on that until later this calendar year or even potentially early next calendar year, Andrew.

We're still responding to information requests as they collect information. What they choose to do from a penalty or not perspective, obviously, is their call. We feel at well above 11%, we've got a significant buffer there to cover a potential penalty within reason.

Now, at the end of the day, it's not for me to try and predict what penalty, if any, will be applied, but we think we've positioned our balance sheet conservatively to cover circumstances that may arise, as I say, within reason.

Andrew Triggs (JP Morgan, Analyst): Thanks, Richard.

Operator: Your next question comes from the line of Matt Dunger, Bank of America, please go ahead.

Matt Dunger (Bank of America, Analyst): Yes, thank you for taking my question. I just wondered if I could ask about the impact you expect from the licence conditions. Whether they'll extend to the new lending platform and the digital onboarding processes and how you're now thinking about the 2030 ROE target, whether that remains appropriate given you've copped a capital charge, these restrictions and elevated risk management costs?

Richard Fennell: Yes, thanks, Matt. As far as the licence conditions are concerned, they actually don't limit any of our operational activities at the Bank. In fact, one of the things that is a real positive about the new lending platform and digital onboarding is they have a lot of the operational risk requirements that historically through our physical network are done manually, done in an automated way or on a self-service basis by the customer themselves.

So it's actually - they're good examples of where we need to get to more broadly as a Bank with automated controls built into the systems and processes that our customers and our people use. So, from that perspective, no impact. Sorry, the second part, what impact will it have on the ROE?

Yes, so we're still targeting to get to that 10% ROE by 2030. We've got a number of - well, a couple of key things happening this financial year that will significantly improve our ROE. First of those is the RACQ migration which is on track for late this half year.

Then also, the partnering arrangements with Infosys and Genpact which are expected to have a significant positive impact on our operating costs. Now, the reality is the costs of those implementations for both of those are contained in FY27, and with the new approach we're taking, that will impact the ROE in FY27.

But you'll see a full year benefit of that without those costs in FY28, setting us up for stronger ROE and hopefully remaining on track for that 10%.

Operator: Your next question is from the line of Carlos Cacho of Macquarie, please go ahead.

Carlos Cacho (Macquarie, Analyst): Thank you. I was just wondering, I mean maybe, as you say, this is something that's better safe for Monday, but you mentioned the partnerships and just any update on how those are progressing. You've obviously taken some significant costs below the line this half, so presumably you're starting to see some of the cost benefits come through from those plans?

Richard Fennell: Yeah, Andrew, why don't you give an update on that one?

Andrew Morgan: So, Carlos, still early stages. We've done the first tranche of transition of people under our technology partnership. So that happened 1 August and so a lot of that benefit will then start to play out through the course of FY27.

Some of our other operations teams are still going through a process, and as we talked about when we first announced the partnerships, we expect the full run rate benefit to therefore be in FY28.

We'll have more to say about the overall cost shape as we see it into FY27 on Monday next week. At this stage all of the planning work and the implementation is on track.

Operator: Your next question comes from the line of Richard Wiles of Morgan Stanley. Your line is open.

Richard Wiles (Morgan Stanley, Analyst): Good morning. I would like to ask some questions about current operating conditions. It's pretty clear from the major bank results we've seen recently that the revenue environment is becoming far more challenging.

Volume growth is slowing and margin headwinds are emerging. Could you comment on your second half? You've given us some second half numbers talking about replicating portfolio deposits and mortgages. Could you give us some indication as to whether you think the replicating benefit will fade, deposits will remain a tailwind and whether the mortgage headwind will become more pronounced as we head into the first half of FY27?

Andrew Morgan: Thanks, Richard. Yes, look, we'll talk a little bit more about margin next week but just to give you a sense of what we think about in respect of the operating conditions, we've also seen something of a slowdown in mortgage application volume.

So if we look over the course of FY26 and where we are right now, we're down about 15%. What we have seen as we've made some careful pricing changes in a couple of channels is that momentum is starting to pick up again and so we're starting to see an upturn in the last month or so.

As it relates to margin and again, we'll talk about this more next week, we definitely see headwinds and a couple of tailwinds as well. So the headwinds at this stage are competition, and we've seen that and we're seeing that now in respect of both sides of the balance sheet. So competition will play a role.

We also think funding costs will be a headwind into next year and we put some wholesale funding into the balance sheet in the fourth quarter. We also moved on some term deposit pricing through fourth quarter as well, and so that will play through in FY27.

On the tailwind side, we think there's probably another cash rate rise, although every day I look at the screens, I kind of change my mind a little bit. But at the moment, I think on balance, there's probably another rate rise late in the year.

Where replicating portfolio sits, there's still some tailwind in replicating portfolio, given that the front tractors that are coming on are still well above the back tractors, in deposits. I think the most part of the benefit is contained to deposits. There's a little bit in capital but mostly in deposits.

Richard Wiles (Morgan Stanley, Analyst): Thank you.

Operator: Your next question is from the line of Brian Johnson of MST Financial. Please go ahead.

Brian Johnson (MST Financial, Analyst): Thank you. Thanks for the opportunity to ask a question. You raised about $120 million through the DRP underwrite. If we have a look at Bendigo, we seem to just get the succession of unexpected, bad news coming out.

How can we be confident that the $120 million raised is sufficient to cover the AUSTRAC fine, even the small penalty was announced the other day and today's announcement? Is there a risk that actually the capital position, that you'd actually require a little bit more if the AUSTRAC fine was higher than that $120 million was raised?

Richard Fennell: Thanks, Brian. On our analysis, we've got headroom beyond the $120 million. As I mentioned, the provision we're making in the '26 results, the $70 million, that is not on top of our plans for investment spend.

So our investment slate will, over the course of three years, effectively be $70 million lower than it would have otherwise been. That obviously has an immediate impact on CET1, in taking that provision. But even having done that, we're comfortable that there is a significant capacity there if a penalty comes through.

As I said, I'll never say never in case we get a rude surprise. In relation to the bad news that has come out in the last six months or so, I agree, Brian, it has not been a great run. I think the last matter that we're aware of is the potential - or the investigation that is going on by AUSTRAC.

Clearly we need to do a better job of managing risk to avoid these issues on an ongoing basis, whether that be the historical one that was announced last week, whether that be the AML deficiencies from last year or this broader announcement today, we need to lift our game.

Brian Johnson (MST Financial, Analyst): Richard, is there any risk that the $70 million fine - I mean practically, this kind of aberrant behaviour, whatever you want to call it, how much do you think it has overstated the historic earnings of the Bank in terms of revenue and costs or is it immaterial?

I mean what was the financial benefit that Bendigo derived through the P&L from this - from these labels?

Richard Fennell: Yes, look, it's an interesting way to think about it. We don't believe there is any financial benefit through the deficiencies that have not been rectified in our non-financial risk management.

We've been, as APRA stated in their announcement, we had been going through a process of uplift in our non-financial risk but clearly we've not kept up. So it's not like we haven't been investing in this space.

We actually believe if we get this right, and we will get this right, it's just a matter of working through the process to address this. We're committed to get this right. That will actually position us more strongly to grow the business without taking undue non-financial risk.

The reality is we, like all banks, have been incurring remediation costs on a regular basis over the last five years or so on the back of non-financial risk lapses. I would hope once we finalise this work, they are far less prevalent than they have been recently.

Brian Johnson (MST Financial, Analyst): Thank you.

Operator: You have a question from Jonathan Mott of Barrenjoey. Please go ahead.

Jonathan Mott (Barrenjoey, Analyst): Hi, Richard. Just a question on the idea that you'll pull back $70 million in investment spend from other areas so it can be redirected into the risk and compliance space. Is that a prudent thing to do just given your peers continue to be spending money at rapid rates given the changes in technology?

Would you be better off just absorbing that and increasing your spend in other areas? Or is it you don't have capacity at a business level to maintain existing programs and put this new investment spend through? I'm just confused as to why you'd sacrifice the rest of the Bank.

Richard Fennell: Yes look, the way I'm thinking about it is not so much as sacrificing the rest of the Bank. We've made some really important, valuable investments over the last few years that we're now looking to leverage better, like the lending platform, like digital onboarding.

We're going to continue to prioritise investment in our digital capabilities and Up. But the reality, with this being the number one priority for the Bank, there's going to be a period where management bandwidth will need - or management focus will need to be more strongly on non-financial risk management.

That means some areas of investment and focus will need to switch. Now, that $70 million is not a one-year investment. That's estimated over three years. We're already investing significantly in the non-financial risk space that will replace some of that investment. but it's not suddenly, for example, $70 million less going into customer facing developments or digital developments, et cetera. It'll be more nuanced than that.

Andrew Morgan: Jon, just to clarify something, we'll talk about our investment spend next week. The $70 million dollars that we've talked about this morning, we have provided for. So that's costs being booked up front and we'll then incur costs against that provision.

The AML matter that we talked about late last year is part of our investment spend and that is phased over three years, $70 million to $90 million over three years. So I just wanted to make sure we clarify that point for you.

Jonathan Mott (Barrenjoey, Analyst): Thank you.

Operator: This concludes today's Q&A and I'll hand back over to management for closing remarks.

Richard Fennell: Thanks, everyone for joining us at short notice. It's not the sort of announcement I would have liked to have been making but we appreciate you taking the time and look forward to talking with you all in more detail next Monday. Thanks and have a good day.

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