

ASX ANNOUNCEMENT: 13 July 2010**MD & CFO on Citibank Partnership**

Open Briefing with CEO Tim Wildash and CFO
Peter Campigli



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In this Open Briefing[®], CEO Tim Wildash and CFO Peter Campigli discuss

- **Significant branding deal with Citibank**
 - **Partnership with Nautilus Hyosung a major factor in deal**
 - **Growth opportunity in New Zealand to leverage existing infrastructure**
 - **Transactions slightly below expectations but FY10 profit and dividend outlook still positive**
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Open Briefing interview:

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Customers Limited today announced a partnership with Citibank under which you will re-brand a minimum of 150 of your existing ATMs as “Citibank” machines over the next 18 months, with the opportunity to add more terminals. How does the Citibank deal compare with the one you have with Bendigo and Adelaide Bank, under which up to 500 of Customers’ existing ATMs are to be re-branded? What processes are involved in selecting the ATMs that will be re-branded under the respective banks?

MD Tim Wildash

Citibank conducted a very lengthy due diligence on a number of companies and we’re thrilled it chose Customers to support this push into the Australian marketplace. Importantly, the deal includes installation of Hyosung’s financial institution Monimax series ATM in designated locations. We see our partnership with Nautilus Hyosung to introduce its advanced financial institution ATMs into the Australian marketplace as a major factor in securing this agreement with Citibank.

Together, Customers and Hyosung aim to play a significant role in supporting Citibank’s announced plans to invest in its brand and physical presence in Australia.

We’re delighted to achieve such early success in our financial institution program off the back of Hyosung Nautilus and to be working with two organisations of such calibre and so well regarded globally.

The deals with Citibank and Bendigo are comparable as far as branding goes. The ATMs are selected on the basis of the banks’ geographical plotting of their cardholders. We’re very

fortunate to have a number of quality ATM sites to satisfy both banks without too much difficulty. We can accommodate both quite comfortably.

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How are fees structured under the Citibank agreement and what is its expected earnings impact?

MD Tim Wildash

Due to the competitive nature of our industry and the related commercial sensitivities, we're unable to provide details about the fees involved.

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What level of capex will be required under the Citibank deal and how will Customers fund it?

CFO Peter Campigli

Initially, the agreement relates to existing sites, so the capex won't be material.

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You recently announced you've increased your stake in New Zealand ATM Services Limited (NZATM) to 34.25 percent from 9.25 percent. What is the rationale for this?

MD Tim Wildash

We're confident about the long-term success of NZATM. We've been able to assist the business in many ways and recent developments have provided sufficient encouragement for us to pro-actively move to achieve our long-term objectives in New Zealand. This is a strategic opportunity for us to get a stronger position in the New Zealand market and to support a wonderful partner in NZATM.

CFO Peter Campigli

As you're probably aware, through NZATM we've been in New Zealand for some time with strong support from a number of local financial institutions, and have been closely involved in a pilot program to establish an independent ATM network in that market. Momentum has been building in the last two or three months which has given us confidence to move our equity position higher and take the opportunity to restructure some aspects of the shareholders' agreement.

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You've indicated you're in discussions with one of the remaining financial institutions that has as yet not participated in the New Zealand pilot. What are the next steps before an independent ATM network can be rolled out in the New Zealand market, what is the anticipated cost of rolling out the network and given the smaller population, how are returns likely to compare with those from your Australian network?

MD Tim Wildash

We've always said seven out of the eight financial institutions in New Zealand would need to be involved to make an independent ATM network profitable. Commercially, there'll be a lot of cardholder and merchant pressure on the last remaining financial institution to join the pilot once we obtain agreement from seven out of eight.

NZATM has 92 machines running at the moment, with a robust pipeline of additional merchant contracts ready to go. We expect the returns to be attractive because the network will be primarily running off Customers' Australian infrastructure: our software licenses, our help desk, our technicians, spare parts, back office, etc. It's a wonderful opportunity to be part of a cost effective business in New Zealand. Plus, we'll have Direct Charging from day one and a merchant base in both metro and regional New Zealand that's very enthusiastic about providing more convenient access to cash to its regulars and to tourists.

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In the year to March 2010, the first year under Direct Charging in Australia, transactions at "foreign" ATMs were down 18 percent across the industry. Can you comment on Customers' transaction experience over this period?

MD Tim Wildash

This illustrates what a wonderful success the reforms have been and I congratulate the Reserve Bank of Australia (RBA) for the way they've been implemented. Direct Charging has encouraged people, in shopping centres and areas where the banks have their ATMs, to walk a little further to find their own bank's ATM or to line up a bit longer to use their bank's ATM. Whereas, prior to Direct Charging, people didn't know exactly what an ATM transaction cost them, so they'd simply use the nearest ATM. The transparency and the competition under Direct Charging are working very well, and according to the RBA, consumers have saved over \$120 million in transaction fees since March 2009.

The industry-wide drop in foreign ATM transactions includes the foreign transaction performance of bank ATMs, which have been much more heavily impacted by Direct Charging. We're not a bank and therefore our performance shouldn't be compared with the banking sector. We're essentially in the convenience sector.

Bank ATMs are in high street locations: in shopping centres and shopping strips where most people are within easy walking distance of an ATM owned by their own bank. Our ATMs are in convenience locations where we're generally the exclusive provider. Therefore the effect of Direct Charging on our transaction numbers has been significantly less than on that of the banks because people have to make a decision to leave the venue where our terminals are located if they want to find an ATM owned by their own bank. Our experience shows that most people are reluctant to take the time and effort to do that for the sake of a couple of dollars.

When Direct Charging was introduced, transactions at our ATMs dropped 12 to 13 percent compared with pre-Direct Charging levels, reducing over the next five to six months to a drop of 9.1 percent. In recent months however, transactions have slowed to around where they were immediately post the introduction of Direct Charging. We think that's due to the fall in overall consumer confidence over recent months, rather than Direct Charging per se, with less customer traffic in retail, hospitality and at petrol stations and other convenience locations. As one example, we note that Wesfarmers recently reported a 3.7 percent drop in sales in its convenience division for the March quarter.

Consumers just aren't spending as much in the absence of last year's stimulus package and in the face of recent interest rate rises and other economic concerns.

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Do you remain confident of your ability to pay a dividend in the current year? Can you provide any guidance on the potential size of the dividend?

CFO Peter Campigli

We've got good profits so we're confident of our ability to pay a dividend, but the quantum is yet to be determined. We've previously said we'd look at a payout ratio in the vicinity of 50 percent in this transitional year, bearing in mind that we've already completed two capital returns in the year to date. At this stage we don't see any reason to deviate from that.

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Customers had net debt of \$3.5 million as at the end of December 2009, and cash on hand totalled \$28.1 million. You've recently announced new banking arrangements that extend for two years and replace the previous facility. Can you comment on the level of debt as at 30 June 2010 and how interest cost on the new facility compares with that under the old arrangement?

CFO Peter Campigli

You need to note that we've extinguished our previous lease commitments with the Bank of Queensland (BOQ) and our other leases. These have been incorporated into our overall senior debt under the new arrangements. The new facility provides greater flexibility and is on significantly better terms than the previous arrangements. Our gearing remains conservative and the new facility gives us scope for additional borrowing should the right opportunities arise.

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Since the end of December you've returned about \$20 million of capital to shareholders. Do you expect to retain a significant level of cash as at 30 June 2010?

CFO Peter Campigli

No we don't. We've actively funded some significant initiatives from our reserves during the period, and we're in the fortunate position of still retaining a strong balance sheet position post these activities.

To illustrate, as well as the two separate returns of capital, totalling \$22 million, we've bought back about \$7 million of shares.

In addition, with favourable foreign exchange rates and strong demand exceeding our initial expectations, we've accelerated key equipment purchases. Most notably, we've undertaken additional purchases from Nautilus Hyosung of between \$1 million and \$2 million.

We've also increased our investment in NZATM and completed acquisition of Calypso to bring switching functionality in-house. Furthermore, we've had exit costs as part of our transition to the new debt facilities, cleared the obligations within our hedge facility and extinguished our leasing facilities with BOQ.

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Will the current softness in your market impact Customers' ability to pursue its longer term growth plans?

MD Tim Wildash

Absolutely not! We're in a dynamic space and have wonderful intellectual property, systems and infrastructure in place and a unique partner in Nautilus Hyosung. Leveraging these assets, our growth opportunities are low risk and low capital, and we're confident we can continue to significantly increase shareholder value going forward.

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Thank you Tim and Peter.

For more information on Customers, visit customersatm.com.au or call Rohan Martin, Manager Corporate Affairs, on +61 3 9090 4745

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