HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS

Bendigo and Adelaide Bank

BAB07QW: *A copy of the valuation policies that the bank applies to:*
(a) infrastructure investments.
(b) large commercial investments or like commercial investments, including definitions that lead to their classification as a large commercial or like commercial investments.

Answer:

(a) *infrastructure investments.*
BEN does not currently provide funding to infrastructure projects and consequently does not have a valuation policy for this type of asset. Should a valuation of this type of asset be required, the asset would be treated as Specialised and a Full Certified Valuation (an independent externally conducted valuation) would be required.

(b) *large commercial investments or like commercial investments, including definitions that lead to their classification as a large commercial or like commercial investments.*
For large commercial investments a Full Certified Valuation is required. An extract from the relevant valuation policy is set our below.

Full Certified Valuations

Assets or situations which require full certified valuations are listed below, alternate valuation methods are not acceptable:

1. **Trading businesses (going concerns) and any commercial property related to a business**
Valuations of trading businesses such as hotels, pharmacies, retirement villages, and aged care providers are to be done on a going concern basis, using measures such as past and projected cash flows, profitability and asset values. Any commercial real property related to the operations of a business must be valued via full certified valuation. If there is likely to be a limited user/investor market for the business, a 'vacant possession' valuation must be requested.

2. **Specialised or limited use properties**
If a property is fully equipped for specialised uses (e.g. a production facility), relies upon current or future development potential (including non-income producing land) or due to location, size or other characteristic is likely to have a limited user/investor market, a 'vacant possession' valuation must be requested.

3. **Concentration risk**

   Concentration risk is deemed to arise when a customer or related entity provides security over 4 or more properties in close proximity, eg in the same development or apartment complex. Depending on the particular aspects of a transaction, it could also extend to properties in the same geographical area eg street or suburb. Whenever concentration risk occurs, an "in-one-line" valuation must be requested, ie valuation to be undertaken on the basis of a single sale transaction for the total concentrated holding to one buyer.