



Bendigo and Adelaide Bank Limited

2017 Annual General Meeting, 31 October 2017

Chairman's address

Welcome everyone to this the 152nd annual general meeting of the company now called Bendigo and Adelaide Bank. Next year we will be celebrating the 160th anniversary of the public meeting that established the first Bendigo Building Society which was held not far from here, at Abbott's Hotel in Pall Mall, which was near McCrae Street, opposite the Vahland Fountain. When we say we try to take a 100 year view of this business, it is not just rhetoric.

There are a number of anniversaries worth remembering today.

First, it is 10 years since the onset of the Global Financial Crisis. The consequences of this are still with us today. The very low interest rates and other financial stimulants that central banks around the world have used to encourage economic activity, in effect to replace the wild and lax credit policies that had stimulated so much foolish investment in the decade before the crisis, seem to have done their work and economies around the world are finally showing good signs of activity. But how that recovery can be sustained as interest rates are raised back to more normal long term levels is now the concern. And what are we to do with the assets that have been valued as a result of these low rates? Are there really assets price bubbles in, for example, domestic housing? So the implications of the monetary policies introduced to deal with the economic consequences of the GFC are likely to be with us for some time yet.

Another consequence of the GFC is in the regulatory framework and detail which we have to deal with. Australia went into the GFC with much stronger, better enforced banking regulations than most other countries and that was one very significant reason why there was so little direct impact on customers here. But the much tighter, more prescriptive rules on capital and risk that have been imposed around the world have been picked up here too. Some of those rules, as we have been discussing for many years, gave some banks very significant competitive advantages and we applaud the recent tightening of rules on risk weightings for assets and additional capital and liquidity requirements. We have invested a large amount in improving our risk management systems, as we needed to do for a business the size that we are now and plan to become. That has made our business stronger and more robust. We are now waiting on the next release from APRA on risk weightings to see what steps we should take in relation to our application to become an advanced accredited bank.

Perhaps the most significant consequence of the GFC and the circumstances that led to it has been the collapse in public trust in banks and bankers and, indeed, in business and corporations generally. Now this collapse in trust is not limited to banks and business. Politicians and government, the media, churches – all sorts of institutions which used to be seen as the underpinning of our civil society are now routinely reviled,

usually through the instantly gratifying mechanisms of social media. Banks have certainly borne the brunt of this with numerous enquiries and new regulatory imposts. The recent Banking Executive Accountability Rules (BEAR) which give APRA very wide powers over such things as senior executive appointments are unlikely to be the last.

It is also 10 years since the merger between Bendigo Bank and Adelaide Bank. At the time we thought we had a few years to restructure the business and merge the retail strengths of Bendigo with the different funding and distribution model of Adelaide, but the GFC meant that had to be done under great stress and very quickly. And there were parts of the business that the GFC revealed were not performing well. As Warren Buffett put it, when the tide goes out you see who is not wearing bathers. So there were times when a lot of people from across the company worked incredibly hard under a lot of pressure. But, now 10 years later, I can say that without the merger we would not have the organisation with the capacity and potential that we have today.

Some of you will also remember that it is 30 years since the great stock market crash of 1987, when on 20th October the stock market fell by more in one day than ever before or since. That crash was a precursor to the credit crisis of the late 1980s and, most significantly for this company, the collapse of Pyramid Building Society. At the worst moments of that, as depositors sought greater security, the total assets of what was then Bendigo Building Society were less than the after tax profit of the business today.

The year we are reporting on today was a good one for your company. We made good returns for shareholders, a cash profit of \$430 million, and significant distributions to other stakeholders. It is worth listing a few of the groups who have contributed to this result and the amounts they received as part of it:

Dividends to shareholders	\$347.5 million
Interest to depositors	\$1,004.9 million
Taxes	\$243.4 million
Distributions to partners (community banks, alliance partners etc)	\$237.1 million
Payments to employees and contractors	\$508.8 million

The Managing Director will discuss the performance of the business in more detail, some of the challenges we face and the investments we are making.

Another anniversary this year I participated in was the first birthday of the opening of the Deakin University Community Bank. The business is already profitable and returns are flowing back to the university community and being invested in student amenities, research and scholarships. This is a new kind of partnership for us, a partnership with a public institution and a young involved community. Deakin is helping us develop the next generation of our e-banking systems and we are benefiting greatly from their involvement.

I also went to Nauru during the year, this for the 2nd anniversary of the opening of the agency of Bendigo Bank in Nauru. It was the first time banking services of any kind have been available on Nauru for over 20 years. Nauru is a small isolated island, only 13,000

people, that had been plundered by phosphate miners, almost wiped out in the Second World War and whose own bank had collapsed as a result of mismanagement and corruption. It is facing implications of climate change that could threaten its existence. It had become a cash economy.

Now people in Nauru have their wages and pensions paid into a bank account. We have accounts for just about every adult and, as technology improves, will expand a modern payments system across the island. It is a salutary reminder of how important for a modern economy and civil society are the basic fundamental banking systems that we take for granted. People in Nauru are starting to build confidence in the bank and every month a few more people save a bit more money in their bank account. That will contribute to the business and, as it becomes more profitable, be available for reinvestment in their community. It is a good business for us.

Our unique approach to addressing societal issues was this year recognised in the Fortune "Change the World" List of Companies That Are Doing Well By Doing Good. The Bank was ranked by Fortune as the top company in Australia, and 13th globally, when measuring social impact, business results and degree of innovation.

This sort of recognition, to be selected from so many international enterprises, reflecting our commitment to strengthening the connection between corporate and community success by addressing social and environmental needs, is confirmation that our business model, in many ways very old-fashioned and consistent with the reasons and values for which it was established 160 years ago, is ahead of its time.

The performance of the financial system is ultimately only as good as the benefits it delivers to its users whether they be individuals, communities or businesses. To be truly successful, all stakeholders must feel fairly rewarded for the effort they put in.

So again, after another good strong performance by the Bank, thank you to all 7500 people who work for us, thanks to all those who work with us through our partnerships with community banks and alliance partners, our technology providers and suppliers, and especially to you our shareholders and customers for your encouragement. Banking is an important business, crucial to our customers and their communities, and we thank you for your support.

Robert Johanson

Chairman