

Bendigo and Adelaide Bank Limited

2018 Annual General Meeting, 30 October 2018

Chairman's address

This year we announced a solid full year result. Total cash earnings were \$445.1 million, up 6.4%, cash earnings per share were 92 cents per share, up by 4.1%, and dividends totalled 70 cents, up by 2 cents. In a very difficult year for the banking industry, it was a strong performance by your Bank.

There have been a number of significant milestones celebrated this year.

On 9 July, we celebrated the 160th anniversary of the founding of the first Bendigo Building Society. In a year when the Royal Commission into misconduct in the financial services industry has revealed some appalling behaviours, it has been useful to remind ourselves why the business was founded and what is its purpose. Bendigo and Adelaide Bank exists to help our customers and their communities prosper. And if they prosper, so will we.

The Royal Commission has been a very demanding and rigorous process and a timely reminder of the need always to act with integrity and fairness and in the interests of our customers. Our conduct in relation to a number of loans, the majority of which were made before 2007 and all generally relating to cattle farming in Queensland, has been criticised by the Commissioner in his interim report. While the particular matters and issues relating to those loans have now been resolved, we take very seriously the concerns and have taken steps to address the issues relating to lending criteria and processes that are raised. A commitment to providing banking for farming does require a longer perspective than most lending. Cycles in farming require a deeper commitment to the industry and a longer term relationship with the customer than most banking does. The current drought in much of eastern Australia will no doubt need that commitment as we work through it with our customers.

A strength of our business has been that we know and are prepared to acknowledge that we are not perfect and that we make mistakes. Then we can get on with helping fix any problem.

The report by the Productivity Commission into competition in financial services has not attracted the same headlines as the Royal Commission, but its analysis of the harm to the Australian economy as a result of the competitive disadvantage suffered by non-major banks and service providers is, we think, very important. Indeed, we would say that one of the fundamental causes of the current crisis in financial services in Australia is the lack of true competition in Australian banking that has allowed the major banks to focus so much on shareholder returns at the expense of customers. If trust in banking is to be restored, it is crucial that organisations with different objectives and standards are able to compete on a level playing field and customers can choose accordingly.

It is also important that banks of different sizes appealing to different markets and segments are encouraged and that they are able to compete. It has been said that in Australia we really only have one major bank; it just operates under four different colours. The regulatory and market pressures to size and business model, where everyone follows the same fashion into and then out of different businesses, shows I think how customer interests have been relegated or forgotten. If there is only one model of what defines a bank, there is no need to focus on different customers and their individual concerns. We will be working to ensure the reforms proposed by the Productivity Commission to promote competition are implemented.

Another milestone we celebrated was the 20th anniversary of the opening of the first **Community Bank®**. Rupanyup and Minyip, small towns in the farming area of the Wimmera in Victoria, had lost their banks and their economies suffered. We partnered with those communities to restore banking there. Now more than 320 communities from all over Australia have joined forces with us. \$205 million in surpluses has been reinvested in supporting community activities and infrastructure which has in turn, generated other investment and activities and so supported their economic prosperity. That is, after all, our purpose.

Our business relationship with these varied and scattered communities across Australia has also helped ensure we remain connected with our customer base. One of the criticisms of the industry generally expressed, perhaps most clearly put in the report into governance at CBA by the committee appointed by APRA, is how senior management and boards of directors have become removed and distant from operating staff and from customers at these large and complex organisations. Attending the annual conferences of the groups of community banks and dealing with the many other organisations we partner with, like the 38 not for profit businesses in Community Sector Banking, constantly reminds us of our purpose and of the expectations of our customers and their communities. It's a great strength of the Bank.

We appointed a new Managing Director in the year. Marnie Baker took over on 2 July. She is a life time employee with deep experience in most parts of the organisation. Her task is to build on the great strengths and values of the company and to equip it to thrive amidst the deep changes that new digital technologies are bringing and that customers are demanding. Marnie is charting the course for our Bank to be considered Australia's bank of choice. Appointing the Chief Executive is one of the most important jobs of a board of directors.

We farewelled Mike Hirst after nine years as Managing Director and 17 years with the Group. Mike took over amidst the depths of the Global Financial Crisis when the financial world was in turmoil, and soon after the merger with Adelaide Bank, when parts of the business were under stress. He was an outstanding chief executive and made a great contribution to the industry through his involvement with the ABA and other advisory bodies. The Bank is now stronger and more capable, and everyone thanks him for his great service.

Deb Radford will be standing down today after 12 years as a non-executive director. She has made a huge contribution in that time, in particular as chair of the Credit Committee, and we will miss her counsel and support.

We are delighted to welcome Vicki Carter to the Board. She has deep experience in banking and communications, which will be valuable as we work towards our vision of becoming Australia's bank of choice.

There has been a vast amount of change in our industry and in our bank over the past 10 years, but I think there will be more change over the next 10 years than ever before. Customers now expect to be able to transact with us instantly, from wherever in the world they are, with trust and confidence. We need to invest in our capacity and provide fair and growing returns to all our stakeholders. Over the past few years we have invested large amounts in improving our ability to understand and manage risk in the business.

And we continue to make big investments in systems and new technological developments. We've invested in Tic:Toc which is a purely online home loan application and approval system: you can get a loan approved within 22 minutes! And our digital bank, Up, is Australia's first all-in-app bank.

But we also need to simplify our existing systems and our brands and make it easier for customers to deal with us. So the investment will go on.

Thank you to all our shareholders, employees, partners and customers for your work and support, and for your commitment for the future. There is a lot to do.

Now I'd like to ask the Managing Director to address you.

Robert Johanson

Chairman