

Bendigo and Adelaide Bank Limited
2018 Annual General Meeting, 30 October 2018
Managing Director's address

Good morning everyone.

There's no doubt it is a challenging environment for banks. With the effects of a Royal Commission into misconduct casting a shadow across the industry, increased regulatory oversight and a renewed debate about culture, trust in the banking sector – and in fact across most industries - is at an all-time low.

Customer expectations and preferences in how they wish to engage and interact with their financial services provider (which aren't always banks) are constantly changing. And there continues to be uncertainty around the pace, scale and breadth of disruption, especially driven by technology.

This, coupled with slowing credit growth, pressure on bank margins and increasing costs as banks look to bolster their compliance functions, means the market share of Australian banking customers is becoming more and more contested.

However, when the current environment is contrasted with our own business, we find ourselves really well positioned in an environment that plays to our strengths.

- We are known for our ability to listen and to understand what our customers need and expect from us.
- The scale and size of our business enables us to be agile and nimble when considering and implementing new innovation and technology.
- The strategy, skill and ability we have around partnering with others assists us to bring forward solutions in a timely way for our customers, making it easy for them to do business with us.
- And financially, the business in the last financial year performed well following strong margin performance, prudent cost management and a strong funding and capital position.

But the biggest contrast for me, when trust in the banking industry is at an all-time low, is the recent net trust score released from Roy Morgan which lists us as the most trusted bank in Australia, and in the top 10 most trusted brands in Australia across all industries, not just banking. That's trust we have earned by doing exactly what we say we'll do and something we need to continue to live up to. This fact is even more pertinent just this week following the release of Deloitte's inaugural Deloitte Trust Index – Banking 2018 which revealed only one in five Australians believe banks act ethically and only one in four think banks take responsibility for mistakes and keep their promises to customers. In today's world, trust is the new currency. It must be a bottom line requirement. Put simply, it's a hard-economic driver and not a soft value metric.

We are the fifth largest retail bank in Australia. A regionally-founded organisation that holds true to its strongly grounded values, is nationally represented in every state and territory across the country and globally recognised for our unique Shared Value banking model. We have a deeply ingrained sense of doing well by doing good.

When you consider our 160-year history, it is very easy to see the common threads that have prevailed over that time.

Our purpose and the way we approach things is the same today as it was 160 years ago in the goldfields, where a group of miners came together to pool their funds for community prosperity purposes. Once a month, they'd pool their funds and everyone's name would be put into a barrel. A name would be drawn out of the barrel and the selected person would then be allocated the funds to build their house.

It was the genesis of banking itself: the notion that everyone should benefit from a financial transaction - the investor who provides the funds, the borrower, the bank's shareholders who bear the risk of the borrower not paying, and society itself.

That original barrel still sits in our boardroom in Bendigo and whilst the Board doesn't use it for loan allocations anymore, it's a symbol and reminder of our purpose that still stands today. To feed into prosperity, not off it.

It is this deep sense of purpose and our strong set of values which have stayed central to who we are and are entrenched in the way we do business.

It's these elements that as an organisation we fiercely protect.

That is not to say we don't make mistakes, of course we do. But we don't hide from our mistakes and we look to rectify them in a transparent and timely manner to minimise any adverse impact on our customers and to ensure they are not financially or otherwise disadvantaged as a result.

We have all been shocked and disappointed by recent inquiries that have highlighted bad behaviours in some of the nation's larger financial institutions and we have seen consumers become increasingly disenchanted when these events have occurred in their own bank.

More so than ever, Australians are questioning their choice of banks and more than ever Australia needs a bank like ours – a strong and innovative bank that looks after the interests of its customers and understands what it means to represent community expectations. A bank that feeds into the prosperity of customers and communities, not off them. The current environment presents us with the ideal opportunity to grow the number of Australians who choose to bank with us. To achieve our vision to be "Australia's bank of choice" we need to continue to invest in the areas that will future proof our business and make a difference to the experience our customers have with us; and at the same time take unnecessary costs and complexity out of the business.

In support of this vision, I have introduced a more simplified structure centred around the three customer groups that present us with a significant opportunity for growth: consumer, business and agribusiness. These divisions are underpinned by business support areas designed to optimise performance, reduce complexity, and deliver on our shared customer focus.

Bendigo and Adelaide Bank proudly comprises more than 80 organisations that have come together over its 160-year history. We have grown quickly and with this comes complexity of business models, brands, systems and processes, which can create confusion and add unnecessary time and effort that may result in a customer's experience not always living up to their expectations. To make it even easier for us to do business, and for people to bank with us, we are focusing on reducing this complexity.

As well as the structural changes, we are continuing to invest in the capability of our people, in technical competencies, leadership skills and ensuring our employees have the resilience to manage a world of constant change.

We are also focussed on changing the current perception that it is too hard to switch banks, that alternatives like Bendigo and Adelaide Bank don't have the capability of the big four banks, are not innovative and are behind in technology.

All of which is not true.

We have all the products and services, skills and capabilities that Australian consumers – with their many, unique financial aspirations - are looking for in a bank, and more.

We see innovation as evolution and not revolution. We have a history of and continued commitment to innovation, being the bank that introduced Visa to Australia in the early 80s, the first mortgage offset account in 1990, the first green loan in 2002, and the first of its kind farm management deposit offset account in 2016 (to name but a few). And just a few weeks ago, we launched the first Australian fully licensed all-in-app digital bank.

Not to mention the unique, innovative and highly successful **Community Bank**[®] model which itself was borne of a time, like today, where we experienced large financial institutions failing to meet the expectations of communities. This of course, provided the opportunity to introduce a banking model that reinforced and restored the role of banking in society. And at a time when community standards in banking have never been more important, our **Community Bank**[®] model is delivering significant social and economic benefits for Australian communities. This past week, we've joined communities in celebrating a significant milestone – more than \$205 million has been returned to Australian communities in the twenty years of this innovative model and more than \$22 million in the past financial year – that's almost one dollar for every Australian.

Strategic partnering assists our growth and is a key strength of ours, allowing us the capability to increase distribution, product manufacturing and technology. The success of many partnerships to date has given us access to new markets and financial innovation. Partnerships with fintech companies on initiatives such as Up, our new digital bank, Tic:Toc, the world's first instant home loan, and Bcause, a digital platform supporting participants of the NDIS, set us up for long-term success.

As Robert outlined earlier, one of the fundamental causes of the current crisis in financial services in Australia is the lack of true competition in Australian banking. It is crucial that organisations with different objectives and standards can compete on a level playing field and customers can choose accordingly.

And we are here, equipped, willing to compete and forever hungry to offer Australians a better option, even with the current prudential and regulatory settings still holding one hand behind our back.

Our business is ready to take advantage of the opportunities ahead. Our customer focus, high trust ratings, and customer advocacy unite to provide the perfect platform for business growth.

In an environment where many are disillusioned with their current bank, the time for our Bank to cement our position as Australia's bank of choice is now. We'll continue to tell our story and ask people to join us to bring about the change they want to see.

I am extremely proud to lead this organisation, an organisation with both capability and heart, embodying strong values and a commitment to always act in the customer's best interests. An organisation that understands the privileged role that we play in the community.

In closing I'd like to thank:

- My team, our 7,500 staff Australia-wide, for their efforts in making this organisation what it is – Australia's bank of choice.
- The Board for your ongoing guidance and support.

- Every single customer for your advocacy and the opportunity you provide us to do business with you and support your community.
- Our partners and suppliers for the support, expertise and knowledge you provide our business.
- And to you, our shareholders, for providing us with the capital to make it happen.

Thank you for your time today.

Marnie Baker

Managing Director