

Bendigo and Adelaide Bank Limited - 2013 Annual General Meeting, 27 October 2014

Chairman's address

The strong financial performance of the Bank in 2013/14 is a credit to the hard work and commitment of all the staff who work here. Profit grew by 10% and dividends increased in the year, in a business environment where there was fierce competition for restrained and limited credit growth.

Our business has grown in total assets by 25% in the past 4 years and our cash earnings by 30%. This continues the pattern of steady growth and substantial investment in capacity in the organisation as we build for the future. This investment in expanding our capacity and in the skills of our people has continued through the year.

We have now almost completed the major program of relocating our staff across the country into modern and efficient workplaces which encourage collaboration. The new building in Adelaide was opened by the Prime Minister in February and that now houses our 1100 Adelaide-based staff. It has invigorated them, encouraging a high performance culture, just as the move into the new premises in Bendigo did a few years ago. And the staff in Ipswich moved into their new building last month.

Our staff is the reason why the Bank enjoys such outstanding customer advocacy and satisfaction ratings. We are committed to supporting each of them with opportunities to improve their skills and knowledge. We thank all of them for their hard work and commitment to the organisation.

We continue to invest large amounts in IT and communication systems. Mike will talk about a number of these projects. I hope you are all enjoying the new mobile banking apps. Customers choose how they want to deal with the bank and increasingly they are choosing mobile devices. We have always been innovative and resourceful in technology development despite our relative size and this is crucial for the future. The biggest threats to the profitability of banks around the world come from new players in payments and delivery such as Apple and other technology disrupters.

The most significant investment in new systems and capacity we are making is in relation to our application to become an advanced accredited bank under Basel II. This requires a substantial re-engineering of the way we measure and manage risk in the business, more sophisticated systems and a much more rigorous approach to risk assessment. We've already spent more than \$50 million on this project. It is already delivering benefits to the business.

We look forward to the end and final resolution of the Great Southern litigation. The events around Great Southern seem to coincide with these meetings. Two years ago the trial finally started and that ended almost on this day a year ago. Today in the Supreme Court of Victoria, a hearing to consider whether or not to approve a settlement which has been

reached with all the parties to the litigation is beginning and, if that is approved, we can commence discussions with those borrowers who had stopped repaying their loans.

We have been an active participant in submissions to and debates around the Financial System Inquiry chaired by David Murray. We have argued that banks should be incentivised to act as enablers of broad national prosperity. We have argued that the competitive disadvantage suffered by those deposit-takers which are not accredited under the Basel II advanced model so that they must hold significantly more capital for identical low-risk loans must be corrected. The security and stability of the financial system is a paramount requirement but we also need to have a level playing field open to new and smaller participants.

Thank you to all our partners, to our suppliers and joint venturers. Especially we thank all those people who give their time to support their Community Banks. One of the highlights of the year is attending the national conference of the Community Banks and we are delighted that next year's conference will be returning to Bendigo.

Through the year a number of former directors of the Bank and its antecedent organisations died. Bill Lanyon, who joined the board after the merger with Sunraysia Building Society and established our presence in Mildura and the Riverland, died in September 2013; Ken Proud who was a director of the Bendigo Building Society died in June this year; and my father, Warwick Johanson who was chairman of Sandhurst Trustees and involved in its merger with the Bendigo Building Society and then was a director when we converted to a bank, died last week. All of them were great contributors to the organisation we have today.

So thank you again for your support and involvement.

Now I'd like to call on the Managing Director Mike Hirst to address you.