



CHAIRMAN'S ADDRESS TO IOOF AGM

Good morning Shareholders, Ladies and Gentlemen, Invited Guests

Today marks the 10th Annual General Meeting of IOOF Holdings Limited since we listed on the Australian Securities Exchange in 2003.

On that day of our listing, ten years ago, IOOF made its debut at a price of \$3.80, representing a significant premium to our \$3.15 issue price.

Much change has occurred in the Company since that time. In the ten years since listing, IOOF has seen the amount of money it manages on behalf of its clients increase from \$11.8b to \$121.9b at 30 June this year. Subsequent to the acquisition of financial advice and wealth management firm, SFG Australia (SFGA) in August, and with the growth in our existing business our Funds Under Management, Administration Advice and Supervision (FUMAS) now exceeds \$142.9b.

Profitability has increased from \$41.6m in the first year of listing, to the strong \$123m result achieved this financial year. The number of clients



has increased from around 300,000 in 2003 to over 650,000 currently and net assets have increased from \$164m to \$813m.

Notwithstanding these changes in our balance sheet, profitability and diversity of financial services offerings, I am pleased to say that there is one thing which has not changed during these ten years – and that is our culture.

IOOF established in Australia in 1846 and has its roots in the great Guilds and Trade Unions of Britain in the 18th Century. The Independent Order of Oddfellows was formed to provide a benevolent focal point for people who were employed in “unusual” or “odd” trades and could not join a Guild or specialised trade syndicate such as the Goldsmiths, the Silversmiths or the Freemasons.

Workers from the “odd” trades joined the Oddfellows to pursue benevolent and charitable activities but also to help them grow their wealth and obtain protection for their families in the event of loss of housing, sickness or death.



While IOOF is no longer a fraternal organisation like our 18th Century parent, our principal focus today remains on helping our members to grow and manage their wealth through financial independence.

As a result of our acquisition of SFGA in August 2014, we are now the third largest provider of financial advice in Australia in terms of Funds Under Advice – and continue to remain independent of the big banks and other financial institutions.

Let's have a look now at the year that was – and our financial results for the year ended 30 June 2014.

Strong financial result for the year ended 30 June 2014

For the year ended 30 June 2014, your company reported a statutory result of \$101.3m and also announced an impressive underlying net profit after tax and pre amortisation of \$123.0m – a 13% increase from last year.

I would like to acknowledge the efforts and continued commitment of the IOOF Leadership Group and all employees who helped to achieve this strong result.



I am happy to report that each of our four operating segments is performing strongly, particularly our platform administration business.

Our results for the financial year translated to a 25 cents per share, fully franked dividend for the 6 months to 30 June 2014 that was paid on 15 October 2014. In total, for the year, 47.5 cents per share, fully franked was paid to shareholders, representing another strong return for shareholders.

Key to this result was the strong adviser-led sales growth in IOOF's Funds Under Management, Advice, Administration and Supervision. Our actively marketed flagship platforms received a record breaking \$1.4b in net funds flow for the first time since the acquisition of Australian Wealth Management Limited and Skandia Australia in 2009.



Acquisition of SFG Australia diversifies IOOF's business model

IOOF actively participated in a number of strategically important initiatives during the year which culminated in the announcement in May of the acquisition of SFGA. SFGA provides a full range of wealth management services to high net worth and affluent clients and expands IOOF's business model further into the advice space.

The businesses acquired as part of the SFG acquisition are complementary with those of IOOF and build out our business model within our key areas of focus. It improves our long term competitive positioning and diversifies IOOF's assets and the group's stable recurring revenue structure. We expect the acquisition will deliver significant value to our shareholders in the coming years.

Growth remains a priority despite regulatory impost

In my report to shareholders last year, I drew attention to the huge burdens which had been imposed on companies operating in the financial services industry by changes to regulatory and compliance

legislation. I made the point that while these changes were able to be accommodated within the policies and procedures which had been established in the company over a long period of time, the timing and resource requirements imposed by the changes had resulted in significant costs to the business.

These costs are sunk costs which do not add to the value of our business, nor are they necessarily capable of being recouped via improvements in operations or net margins in the future.

A challenge for the company, during this period, has been to balance the need to comply with the increased burden of red tape, while at the same time keeping a focus on the company's longer term growth agenda.

Indeed, IOOF has not been alone in dealing with this challenge. The Boards of many public companies in Australia have reported difficulties in coping with an ever increasing burden of red tape which has detracted from their ability to ignite new growth opportunities.



In December 2013, the Federal Government announced an inquiry into the financial system which was intended to establish a direction or blueprint for the future of Australia's financial system. Since the early 1980s Australia has witnessed two financial system inquiries which both created major economic reform and underpinned Australia's economic stability and growth over the past 30 years. One of the foci for this current inquiry centres around superannuation, its future growth and impact on the Australian economy. While the implications for IOOF and the industry alike are unknown at this point, our strong track record of adapting to regulatory change in a prudent manner should serve us well into the future.

IOOF has a history of being light on its feet, particularly over the last 10 years as a public company, and of being very focussed on growth as a means of building shareholder value.

To retain this culture of agility and innovation at Board level, the Board has adopted a strategy of meeting in two parts over two days in each month of the Board meetings. We meet, with two separate agenda, viz:

- a “growth” agenda (which focusses on market conditions and growth opportunities)

and

- a “normal” business agenda (which deals with the operational business of the company and compliance matters)

We have found this approach to be a useful mechanism for keeping a focus on our forward growth objectives while meeting our obligations in relation to the monitoring and prudential oversight of the business.

It has enabled us, for example, to properly and exhaustively assess and execute the \$670m acquisition of SFGA in May 2014.

The challenge for company Boards in the financial services industry - to remain focussed on expansion opportunities and the long term objectives of building shareholder value while managing regulatory and compliance requirements - is a real one, and one that will continue to test the expertise (and ingenuity) of Directors.

Australia, as a nation, faces some significant fiscal challenges and problems in the years ahead. Economic growth is slow, investment growth is negative, unemployment is too high and economic reform is virtually non-existent.

The rapid ageing of our population is placing increasing burdens on our health and welfare services and we are simply not saving enough.

The Federal Government's recent decision to postpone increases in compulsory superannuation contributions to the next decade will exacerbate these problems and place a bigger burden on the taxation system to fund pension incomes in future years.

The Board of IOOF believe that the progressive increases in super contributions to 12.0% by 2019–20 was a sound and appropriate policy for ensuring the financial well-being of Australian workers in their retirement years. We hold the view that a strong, growing and well managed superannuation industry in Australia is critical for the future prosperity of our nation and all its residents.

Changes to the IOOF Holdings Board

I would like to express my appreciation to all employees and to my fellow Directors for their continued efforts this year. This past year has been particularly demanding on all staff, as well as on Directors and I thank everyone for their hard work and diligence, as well as for their contributions to the successes which has been achieved by IOOF during the 2013-14 financial year.

During the year we experienced a change to the Board, with the resignation of one Director, Kevin White in May. After serving three years as an Independent Director, Kevin resigned in order to focus on his other corporate interests and responsibilities. I would like to thank Kevin for the valuable contributions he made to the Board during his tenure as a result of his considerable knowledge and experience in the financial services industry in Australia.

Following a comprehensive search, Mr Allan Griffiths was appointed to the Board in July 2014. Allan brings broad ranging skills such as superannuation, funds management and banking experience to the



Board as well as a deep understanding of the insurance sector. He has held a number of executive positions within the financial services industry most notably as long term Chief Executive Officer AVIVA Australia and later, Managing Director South East Asia for AVIVA Asia Pte Ltd. Prior to joining Aviva, Allan held executive positions with Norwich Union and Colonial Ltd.

Shareholders will be asked to consider and if they see fit, approve this appointment later in this meeting.

One of the enduring benefits that came from IOOF's demutualisation was the establishment of the IOOF Foundation.

I would like to thank the IOOF Foundation Directors who dedicate their time and passion to the vision of the Foundation while improving the quality of life of those who benefit from the grants provided. I would particularly like to pay tribute today to Ken Barry who retired last month as Chairman of the Foundation after 12 years of service. Ken joined the Board of the Foundation in 2002 and has been a tireless contributor to its work since this time. Under Ken's leadership, the Foundation has



awarded more than \$10m to community organisations in Australia that assist people experiencing personal, social or financial disadvantages.

On behalf of the Board of IOOF and all Shareholders, I thank you Ken for all your hard work and dedication to the Foundation over the past 12 years.

The Foundation, and its core objectives, very much reflect the culture, ethics and goals of its founder, IOOF Holdings Limited. The Board of the Foundation operates on a highly professional basis, with strong systems of corporate governance and will be ably led in the future by the newly appointed Chair, Angelika Dickschen. Thank you Angelika, for agreeing to take on this very important role.

I would also like to welcome Melissa Babbage as the newly appointed member of the Foundation Board. Melissa is based in Sydney and will bring some geographic diversity to the Board, as well as high level experience in financial services and philanthropy.

Final observations and outlook

I am very proud to have been a part of the stellar growth which IOOF has achieved during the ten years it has been listed on the Australian Securities Exchange. The listing in 2003 contributed significantly to the growth of the organisation.

The company's success has been underpinned by our strategy of achieving sustainable organic growth by increasing the sales of our existing products and services while at the same time pursuing targeted, value accretive acquisitions.

Australia's compulsory superannuation system has grown dramatically since its introduction in 1992 and now sits around \$1.8t in value. The prospects for further growth in the coming years may see the sector rival that of the Australian banking system, with Treasury estimates suggesting that the sector could reach more than \$8t in funds under management by the late 2030s.



The decision made by IOOF in the 1990s to enter this space has paid off for its members and shareholders alike, and should continue well into the future.

Over the 10 years since the listing of IOOF Holdings Limited, as I stated at the outset, many changes have taken place within the company, but one thing has remained constant – our goal of assisting people to create and achieve financial independence through dedication to our members while, at the same time, protecting and enhancing the interests of our shareholders.

This goal will not change.

Dr Roger Sexton
Chairman