

## **Chairman's address to Annual General Meeting**

Thursday, 26 November 2015

Good morning ladies and gentlemen. Welcome to IOOF's 2015 annual general meeting.

### **Strong performance**

I am pleased to report that 2015 has been another successful year for IOOF.

We have continued to build scale and diversify our earnings and this has delivered improved results and lifted returns for shareholders.

Statutory net profit was up 37 per cent on the prior year to \$138 million and underlying net profit after tax rose 41 per cent to \$174 million.

Earnings per share increased to 59.9 cents per share, up 13 per cent on the prior year. This is consistent with the growth in earnings we have delivered annually since the adoption of our strategy in 2009.

Dividends per share increased 12 per cent on the prior year, with a total dividend of 53 cents per share, fully-franked. This means shareholders received just over 90% per cent of IOOF's underlying profit as dividend, which is at the upper end of our long standing commitment to return between 60 to 90 per cent of profits to shareholders each year.

### **Consistent strategy delivers results**

The strong financial result for 2015 continues our upward trend in profits and returns for shareholders. The results clearly demonstrate the benefits of our consistent strategy and the skill and discipline with which it has been deployed.

In 2009, IOOF was fundamentally transformed through the merger with Australian Wealth Management and the integration of Skandia's Australian assets. This provided the initial scale and basis on which our strategy rests. The core of that strategy is to build an integrated financial services company based on quality advice with a competitive and contemporary suite of products and services for advisers and clients.

Since those transformative steps in 2009, we have generated further scale and efficiency through organic growth and selective acquisitions. We have completed three significant acquisitions since that time and the effective integration of value-enhancing acquisitions has become a core competence and key strength for IOOF.

The success of these acquisitions in generating growth and returns for shareholders has sometimes led some people to question whether our strategy and performance is over-reliant on acquisitions. While we are very proud of our track record of delivering immediate value from acquisitions, the longer term strategic value of the acquisitions cannot be overstated. Each acquisition has progressively broadened our earnings profile and expanded our distribution footprint, both geographically and across client segments. We take a disciplined approach to assessing any pursuing any opportunities and we have consistently shown that we can successfully integrate new businesses into the broader IOOF group's operations.

This has resulted in a stronger, more diversified and resilient company and at the same time enhanced our ability to grow organically.

Last year I reported on the acquisition of SFG Australia, or Shadforth as we now refer to it, and this year I am pleased to report on the successful integration of this business. Shadforth has already delivered meaningful value for shareholders and we are confident it will make an important contribution to our business for many years.

Strategically, Shadforth is a very good fit for IOOF. It is one of Australia's most respected and successful advice companies with a quality client base of high net worth individuals. It is a strong and respected brand that fits well within our growing portfolio.

Organic growth is a revealing measure of the underlying health of the business and a pointer to its continued vitality. It provides insight to the quality of our products and the strength of our relationships with advisers and members.

One of the most pleasing elements of our financial performance this year was the steady growth in client funds under management, administration and advice, even when adjusted for the impact of acquisitions and divestments. Chris will provide further detail on this achievement in his address.

### **Building trust and delivering for the future**

With the integration of Shadforth complete, IOOF is now the third largest non-bank wealth manager in Australia, and our aspiration is to continue to grow.

We operate in a strong and vibrant industry.

The Australian superannuation industry ranks as the fourth largest pension market in the world, with assets valued at well in excess of \$2 trillion dollars. Its growth is supported by continued bipartisan political support for compulsory superannuation as Australia's preferred method for saving for retirement.

Like all major financial advisory firms, IOOF plays an increasingly important role in Australian society. Not only by ensuring the financial goals of individuals are met but, more broadly, by assisting the nation successfully face the economic challenges of an aging demographic. For that reason, maintaining community and consumer trust in the financial advice sector has never been more crucial.

To this end, our industry is exploring innovative new ways to meet evolving community needs and expectations and prove the value and relevance of good advice as market offerings and the regulatory framework become increasingly complex.

Technology is poised to provide cost effective advice to a wider range of clients at an earlier stage in their wealth development cycle. And IOOF and our advisers are well placed to benefit from this kind of shift in customer reach and service delivery.

We have built a strong foundation from which to expand our participation in the Australian superannuation and wealth management industry. Our strategy, our strong partnerships with quality advisers and our focus on providing the best advice to clients is the basis from which our business will continue to grow. Chris will provide more detail on our strategy in his address shortly.

And so, against this positive background, it's disappointing to report an attempt to undermine the fine reputation IOOF has earned over decades for its prudent and ethical behaviour. If I seem defensive, it's because I am. Too many people have worked too hard and the reputational consequences are too great for me to allow baseless allegations to go unchallenged.

In the recent case, inaccurate irresponsible media reporting created a potential for damage to trusted relationships fostered over many years with our advisers and clients.

We took the allegations very seriously. We proactively approached both ASIC and APRA, with whom we have a constructive ongoing relationship and also provided information to a Senate Committee Inquiry. Internally, we commissioned independent, fact based reviews to determine if any wrongdoing had occurred. These reviews concluded that various allegations published by media were not supported by the facts.

And using this as a further opportunity for continuous improvement, we also initiated a broader based health check on our governance and compliance systems. All the fundamentals were proved sound – very sound - and the company is making good progress in implementing recommendations to enhance safeguards even further.

The financial services industry will continue to be the subject of political and regulatory change and the expectations and demands of our communities will continue to grow. While this will present challenges, we also see enormous opportunity.

The Turnbull government recently announced the adoption of most of the recommendations of the Financial System Inquiry. The proposed changes will see minimum education standards for advisers adopted across the entire industry, greater competition in the management of default superannuation and a pathway for the development of new annuity products to broaden options for Australians in their retirement. These are welcome changes that promote increased competition and support continued community confidence in our industry.

### **Special Tribute to the staff of IOOF**

The media scrutiny I spoke of a moment ago inevitably placed additional pressures on staff.

They are the ones who had to go home to their families and friends and explain what it all meant. And they are the ones who came to work each day, held their heads high and did their jobs.

At each AGM, it is customary to recognise our staff for their hard work and dedication through the year.

But this year it is more than that – and I would like to make a very special tribute to all of our staff. Their contributions to the Company have gone far above and beyond.

When their Company was being unfairly targeted in the press, they rallied together, continued to produce fine quality work for our clients and demonstrated the true strength of character that has typified the culture of IOOF over the last 150 years.

On behalf of the Board, to all of our wonderful staff in IOOF, I offer special thanks.

### **Company Secretary**

Today is the last AGM to be attended by our long serving executive, Danielle Corcoran, in her role as Company Secretary. Danielle has worked for IOOF for nearly 11 years and during this period has also held the position of General Manager of Human Resources.

Danielle has decided to take a break and pursue other interests. Her unquestioned skills, corporate knowledge, depth of experience and cheerful and obliging demeanour will be sadly missed by the Board, the executive and all staff in IOOF.

Danielle, we thank you for all your hard work and dedication to the Company and wish you well in your new endeavours.

Danielle's position as Company Secretary is to be filled as from December 4<sup>th</sup> by Paul Vine. Paul knows that he has some huge shoes to fill but is well qualified and experienced and we welcome him to this important role servicing the Board.

## **Culture**

When Danielle was cleaning out her cupboards in the process of handing over her role as Company Secretary, she came across the Annual Report of the Company from 1995; that is 20 years ago.

Apart from noticing that every member of the Board that year had a huge moustache (and I should add, of course that none of the Board members were women), it was interesting to read the Company's strategy as enunciated in that year.

The strategy of IOOF in 1995 as set out in the Annual Report identified four key objectives.

One

Enhance our reputation for excellence as a conservative fund manager, and as a provider of financial and retirement services to members.

Two

Focus on our investment performance to be competitive and to produce long-term real rates of return.

Three

Maintain a strong capital base.

Four

Increase our reputation as a good corporate citizen.

In many ways, the key objectives of IOOF have not changed since 1995. Sure, the Company has got much bigger... and the moustaches have gone.

But the core values of providing superior wealth management services to our customers, maximising returns to our shareholders and being a good corporate citizen remain the same today as they did 20 years ago.

While IOOF has grown its balance sheet very successfully over this period, the Board and Senior Management have a clear policy that continuing growth must not compromise our service levels or, our corporate governance procedures.

## **Board changes**

I would like to turn now, to your Board.

As you would be aware, Ian Griffiths, who served on the IOOF Board since 2009, has retired. Ian has made an enormous contribution during his tenure and we thank him for having served the company with such distinction. We wish him all the very best for the future.

We are pleased to have appointed Elizabeth Flynn to the Board as an Independent Non-Executive Director in September. I will outline Elizabeth's background and qualifications later in the meeting when you will have the opportunity to vote on her appointment to the Board.

## **IOOF Foundation**

Since our beginnings as a Friendly Society in 1846, IOOF has strived to make a positive contribution to the communities we serve.

An important way in which we do so today is through the IOOF Foundation.

At the AGM last year, I announced the appointment of Ms Angie Dickshen as the new Chair of the Foundation, replacing the long serving Chair, Ken Barry.

The Annual Report sets out details on a number of the contributions which the IOOF Foundation has made during the year to programs which support some of the most disadvantaged in our community.

On behalf of the Board of IOOF, I thank Angie and all her hard working colleagues on the Board of the Foundation for their self-less contributions through the year and the countless hours of commitment they give to the work of the Foundation.

## **Confidence for the future**

In closing, let me reiterate that IOOF has enjoyed a remarkable and positive growth year for shareholders as it experiences the continuing benefits of a disciplined, consistent strategy and a highly capable implementation of this strategy.

Our industry presents many opportunities for further growth. Australia's financial system, and in particular our superannuation system, has been, and continues to be the envy of many other countries around the world.

IOOF is in very sound order. We have great confidence in our strategy and the commitment of our people to continuing to deliver outstanding results for our stakeholders.

That concludes my opening remarks. I will now hand over to Chris to discuss the results in more detail.