



## **Bendigo and Adelaide Bank Limited**

**2016 Annual General Meeting, 25 October 2016**

### **Chairman's address**

#### **Last Year's Results**

The 2016 financial year was a solid one for our Bank.

Our cash earnings grew to \$439.3 million, which represents a 1.6 percent increase on the previous year. This was equivalent to 95.6 cents per share.

Returns to shareholders also grew. The full year dividend is 68 cents per share, a two cent increase on the previous year. So we paid out 71% of cash earnings to shareholders. This is in the range that we set. There are questions being asked about the sustainability of the level of dividends being paid by banks, but given the level of participation we have in the dividend reinvestment plan and our ability to raise capital for particular opportunities such as in the share purchase plan that closed last Friday to support the purchase of the Keystart portfolio, we think these levels are sustainable and allow us to continue to grow the bank organically. Many of our shareholders do rely for income on the dividends that we pay so we think it is important to allow them the choice as to the extent they continue to reinvest in the growth of the bank. This is especially so because of the different tax positions of shareholders.

We are continuing to expand our capacity to improve our business and our service to customers. The biggest project over the past 3 years has been the investment in re-engineering the way we manage risk in the bank in the advanced accreditation project. This has included new IT systems and models, and a lot of training. Now we have always been a conservative organization which has resulted in, by industry standards, low bad debts and provisions. But this new approach has altered the way risk is discussed in the bank and we are a stronger business for it.

We expect that in due course the competitive disadvantage we suffer as a result of having to apply more capital than our major bank competitors to similar loans will be removed. The bank is growing steadily, even in these highly competitive times, and our commitment to partnering is continuing to open new opportunities.

#### **Our people**

Our people are critically important to the success of our organisation, and we have continued to invest in their capability to better meet the needs of our 1.6 million customers.

The Board is pleased to have achieved our women in leadership target.

We are well placed to achieve our target of at least 42 percent of women in leadership roles by 2018 and we continue our substantial investment in our diversity and inclusion objectives.

Culture in organisations, and in particular in financial service businesses, is now recognized as a crucial element in their success. Regulators are considering how to assess it and how to use it as an indicator of internal and emerging problems; though as the chair of APRA has recently said, it is not something that can just be regulated into existence. And it has been a frequent subject in the parliamentary examinations of the chief executives of the major banks.

Most of the misselling and other problems that have recently arisen are the result of remuneration structures and incentives and that is a good place to start in these discussions. At Bendigo and Adelaide Bank, we do spend a lot of time thinking about and working to ensure that the culture of the organization does complement our strategic objective which is to be the most customer connected bank.

### **Improving outcomes for young people**

We also forge partnerships where value can be shared and cultivated.

Our work with universities and Australian youth continues to improve outcomes for young people and their communities.

In the Bendigo and Adelaide Bank Scholarship Program, more than \$1.35 million was invested to help 98 students make the step to university.

Many of them are from regional areas where they face extra costs to achieve their goals.

We also launched Deakin University **Community Bank**<sup>®</sup>, which will realise positive outcomes for university students, staff and the community.

### **Community investment**

Our **Community Bank**<sup>®</sup> partners work with the Bank to achieve economic and social value for the communities in which they operate.

More than \$148 million has been returned to these communities since we established the first **Community Bank**<sup>®</sup> branch more than 17 years ago.

This has provided funding for investment by those communities in their own social infrastructure and has been critical to the viability of many community projects.

I would like to thank the **Community Bank**<sup>®</sup> directors and their supporters and staff for all their hard work and valued contribution to our organisation and to their communities.

### **New technologies**

The business environment has always been one of rapid change. New technologies are accelerating that process today, and this gives our Bank the opportunity to partner for shared success.

Through our work with organisations such as Ferocia and TCS among others, we are able to expand our capability to enhance and drive our business forward.

While much has been achieved, we do not feel relaxed. We are proud of our successes to date, but there is much more to be accomplished.

### **Vahland Drinking Fountain**

Earlier this month, I had the pleasure of unveiling the restored Vahland Drinking Fountain, thought lost for more than 100 years. I hope those of you who are here in Bendigo today will visit it, just next to the Law Courts in Pall Mall.

The public ceremony marked not only the revival of a historic monument, but also the legacy of William Vahland – one of Bendigo's most prominent founding fathers.

He was a renowned architect, Vahland was one of the founding members of the first Bendigo Building Society, now Bendigo and Adelaide Bank. He remained on the board for more than 50 years and for 38 years was its Chairman and Managing Director.

No one has made a greater contribution to the development of the city and its civic, social and commercial institutions.

For all of us, and I know I speak for the people at Bendigo and Adelaide Bank who helped with the restoration project, this was not just about erecting a monument to another dead white European male, no matter how worthy. For us, it's about remembering what it takes to build a city and create a community.

For the Bank and the role it plays in the life of the modern city, in financially empowering and enfranchising communities and individuals all over Australia, they are as great a memorial to William Charles Vahland as any of the buildings he built.

On behalf of the Board, I would like to thank you for being here today and your continued support of our Bank.

Robert Johanson  
Chairman