

Presentation

Unknown Attendee

Ladies and gentlemen, welcome to the Bendigo and Adelaide Bank's Annual General Meeting. Now the Chairman of Bendigo and Adelaide Bank, Robert Johanson.

Robert Niven Johanson

Former Independent Chairman of the Board

Good morning. Welcome, everybody. Welcome this -- to this the 151st Annual General Meeting of the company now known as Bendigo and Adelaide Bank, in this the 158th year since the founding of the first Bendigo Building Society. I know that there's a lot of familiar faces, so welcome back. I'm pleased that so many people can come again to the meeting; especially welcome to Richard Guy, who was Chair of the bank for a number of years; Jenny Dawson, I see here, was a director; a lot of other people who've had a long history and involvement with the organization. So thanks for coming.

One of the features of this organization has always been the large number of shareholders who've taken a personal interest in its affairs. So -- and I think that's been a great source of strength for the company.

So I declare this meeting is properly constituted, and I declare it open. The board considers today's meeting to be the central element in being accountable to our shareholders, so we do look forward and encourage you to ask questions or provide feedback and to participate in the voting. We've got a lot of people who'll be listening and watching through the Internet. And if you care to, you can participate, too, through social media. If you want to ask a question, please log into our Twitter or Facebook. But if you're not here and you haven't voted already by proxy or by direct vote, you won't be able to vote.

So the agenda today is that I'll present my address; then you'll hear from the Managing Director, Mike Hirst; and then we'll take questions if you want to ask us about anything, really. But in particular, if there is a specific item on today's agenda, such as on a director election or reelection, on the financial accounts or on the remuneration report, perhaps it's best to keep those questions until those items come up for discussion. So after the questions, we'll move to the formal business. The Chair of the Audit Committee, Rob Hubbard, will take you through the accounts and the audit matters. Then there are 5 items to be voted on -- sorry, there are 7 items to be voted on: 5 director election and reelections; the remuneration report; and a proposal to issue securities to the Managing Director. So on each of those, you're welcome to ask questions on them when we get to those matters.

Just like last year, we'll be taking the vote by poll rather than by a show of hands. So when it comes time to vote, instead of asking you to raise your voting cards, I'll ask you to mark your vote on the card using the PIN you have received. Once the voting is over, I'll close the meeting, and you'll then join the board and our senior management team for some sandwiches and refreshments outside.

So now I'd like to introduce you to the Board of Directors. Next to me is the Company Secretary, Will Conlan. But then next to him is Managing Director, Mike Hirst. Mike joined the group in 2001, and he's been Managing Director since 2009. He's a career banker, having worked for Colonial, Chase AMP, Westpac. He's also a Deputy Chair of the Australian Bankers' Association, a member of the Business Council and a member of the Financial Sector Advisory Council.

Next to Mike is Rob Hubbard. Rob joined the board in 2013, bringing experience -- considerable experience in accounting, corporate finance, assurance and audit. He was a lead auditor with several large listed companies. He's the Chair of the Audit Committee, and he will address the meeting in relation to the financial accounts and the external audit. Rob retires by rotation this year and is seeking reelection.

Next to Rob is Jan Harris. Jan's the new director. She joined the board in February following a distinguished career in the Commonwealth public service, working in a variety of senior roles in the Department of Treasury and the Department of Prime Minister, including most recently as the Deputy

Secretary of the Treasury. Her appointment to the board will be subject to a Shareholders' vote later in the meeting.

Next to Jan is Jacquie Hey. Jacquie joined the board in 2011 following a career with Ericsson, spanning more than 20 years including CEO roles in Australia and overseas. She's also a director of a number of public companies, including Qantas, AGL Energy and Cricket Australia. She chairs the board Technology & Change Committee and is a member of the Governance & HR Committee.

Next to Jacquie is Jim Hazel, who joined the board in 2010. Jim's our South Australian on the board. He has extensive career in banking, including as a senior executive with Adelaide Bank. And he now serves on the boards of a number of public companies. He, too, retires by rotation this year and will be seeking reelection.

Next to Jim is David Matthews, who's been on the board for 6 years. David is a farmer from the Wimmera, and he has got extensive experience in agribusiness. He's been a director of Rural Bank for a number of years. He's a member of the Audit and the Credit Committees. And he also represents the bank and does a lot of great work on the Community Bank National Council. He, too, has reached the end of his 3-year term on the board and will be seeking reelection.

Next to David is Deb Radford. She has more than 20 years' experience in the banking industry, with both local and international banks, including 7 years with the Victorian State Treasury. She's been on this board for 10 years. She chairs the Credit Committee, is a member of the Technology & Change Committee and the Governance & HR committee. She's also on the board of a number of public and private companies and is a member of the council of La Trobe University.

And then next to Deb is Tony Robinson. He's held many executive and non-executive roles with listed financial service companies, and he's a board member of a number of listed companies. He chairs the Governance & HR Committee, he's a member of the Risk Committee and the Audit Committee and on the board of our wealth management subsidiary, Sandhurst Trustees. He's been on the board since 2006.

So that's the board.

So let me say -- make a few comments about the results and a few other matters. Last year, 2016 was, I think, it was a solid year for the bank. Our cash earnings grew to \$439.3 million, which represented a 1.6% increase on the previous year, which was equivalent to \$0.956 per share. Returns to shareholders also grew. The full year dividend of \$0.68 was a \$0.02 increase on the previous year, so we paid out a bit over 70% of cash earnings to shareholders. This is in the range of the payouts that we've set for ourselves. You'll be aware there are questions being asked about the sustainability of the level of dividends that are 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 payout levels are sustainable for us, and they allow us to continue to grow the bank organically. Many of our shareholders we know do rely for income on our dividends, so we think it's important to allow them the choice as to the extent they continue to reinvest in the growth of the bank. And this is especially so because of the different tax position of the various groups of shareholders.

But we are continuing to expand our capacity to improve our business and our service to customers. The biggest project we've had over the past 3 years has been the substantial investment in reengineering 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. And now -- now we've 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 are critically important to the success of the organization, and we have continued to invest in their capacity and capability to better meet the needs of our 1.6 billion customers. We're pleased to have

achieved our women in leadership target, and we're well placed to receive -- to retrieve our target of at least 42% of women in leadership roles by 2018. And we continue our substantial investment in diversity and our inclusion objectives.

Culture in organizations and, in particular, in financial service businesses is now recognized as a crucial element in their success, and 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's not something that can just be regulated into existence. And culture of banks 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 or been drawn attention to are the result of remuneration structures and incentives, and that's 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.

We've also spent time forging 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. And the Bendigo and Adelaide Bank scholarship program, which, last year, more than \$1.35 million was invested to help nearly 100 students, 98 students, to make the step to university. Many of those students are from regional areas, where they face extra costs to achieve their goals. Now you may also have noticed that we launched the Deakin University Community Bank, which we think will realize positive outcomes for university students, staff and the community and open up lots of new opportunities for the bank.

Our Community Bank partners are a crucial -- play a crucial role in the development of the organization, and we continue to work with them to achieve economic and social value for the communities in which they operate. Now more than \$148 million has been returned to these communities since we established the first Community Bank branch now more than 17 years ago. And 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. We'd all like to thank the many Community Bank directors and their supporters and staff for all their hard work, most of it done on a voluntary basis, and their greatly valued contribution to our organization and to their communities.

The business environment has always been one of rapid change, but new technologies are accelerating that process today. And this gives our bank the opportunity to partner for shared success with people beyond the usual geographic reach. And through our work with organizations such as Ferocia and TCS, among others, we are able to expand our capability to enhance and drive our business forward. But while much has been achieved, there's no point feeling relaxed. We're all aware how much change is happening with technology every day. We're proud of our successes to date, but there is much more to be done and much more to be accomplished.

So earlier this month, I had the pleasure of unveiling the restored Vahland Drinking Fountain, which was thought lost for 100 years. I hope those of you in Bendigo here today will visit it, which is just next to the Law Courts, off Pall Mall, opposite Bull Street in the newly renamed William Vahland Place. 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. He designed The Town Hall, the Shamrock theater, the Rifle Brigade Hotel, the Capital Theatre. He was one of the founding members of the first Bendigo Building Society, now Bendigo and Adelaide Bank. And he remained on the board for more than 50 years. Now there's a tenure worth talking about; and was, for 38 years, its Chairman and Managing Director. No one made a greater contribution to the development of its city and its civic, social and commercial institutions. For us, this wasn't just a project about erecting a monument to another dead white European male no matter how worthy. For us, it was about remembering what it takes to build a city and to create a community. And for the bank and the role it plays in the life of this modern city in financially empowering and in franchising communities and individuals all over Australia and in other cities and communities, there is greater memorial to William Vahland as any of the buildings that he built.

So thank you very much again for coming today. We all do welcome and look forward to your continued support of the bank. Thank you very much, and I'd now like to invite the Managing Director to address you. Thank you.

Michael John Hirst
Former MD, CEO & Director

Thank you, Robert, and good morning, everyone. As Robert has already outlined, the financial results for the company over the last 12 months were solid and, in the context of the operating environment, a testament to the hard work of our staff.

Low interest rates and slowing credit growth, coupled with new prudential regulation, mean that the market is very competitive at the moment. Compounding all that is a political environment where the banking industry finds itself at the center of a campaign to pursue a royal commission. As a bank, we have a privileged status in the community. We believe that it's important for the community to trust banks and feel confident that they will act fairly and transparently. Our bank believes that our actions define who we are. It's in how we practice banking, in the culture we encourage for our people and in our conduct with customers where we are put to the test. We take our obligation to run the business for the benefit of all stakeholders seriously, understanding that the needs of our customer base, including both mortgage and deposit holders, are relevant and should be considered when we price our products. We continue to focus on being Australia's most customer-connected bank. That drives our desire to excel in customer service and help our customers achieve their goals. That focus, together with the implementation of our business strategies and diligent cost and margin management, underpin these good financial results. And those results have been achieved in a market where our key competitors have been given a number of free kicks in recent years that have enabled them to build their market dominance.

The pricing of the government guarantee through the GFC and the implementation of the Basel II regulation saw them increase their market advantage at the expense of smaller players. There is no doubt the customer choice has suffered. However, with our capital funding and credit positions being particular strengths for our bank, we are seeking to change that. With our net stable funding ratio at 115%, we have already surpassed the new prudential requirement a year before it comes into place. This is a testament to our retail brand and distribution network, with about 82% of funding provided by retail customers.

We are managing our business today as an advanced bank from a Basel II perspective. The investment of more than \$80 million we've made to move to advanced accreditation has increased our risk management capability, and this has become an important strategic asset for our bank. Additionally, we are pleased to see the positive outcomes of APRA initiatives that address the industry's uneven playing field, changes to risk weights on mortgages and the reduction in the capital advantage major banks have enjoyed. These outcomes will all serve to highlight the value proposition we offer customers and emphasize the benefit of choice in banking service providers.

We realize there is some community angst with regard to banks. There can be no hiding from the fact that there have been some examples of poor behavior in the industry. These examples have been acknowledged by those organizations who have undertaken them. But it is apparent from the recent parliamentary hearings that there is no systemic issue across the industry. That's an important point to note.

In the recent past, there have been 14 parliamentary inquiries into the banks; the Murray inquiry into Australia's financial system; 3 class actions against banks, which were roundly unsuccessful; and no finding of systemic wrongdoing across the industry. Even so, a whole host of new regulation has been implemented to further ensure banks operate with the best interest of customers in mind.

Given all that, it's very hard to see what substantive, tangible matters a royal commission would actually investigate. In my view, it would be a significant waste of taxpayer and shareholder money. We agree that there are some issues within the industry that should be addressed, but the most effective solution is the one in place, that banks and regulators will work even more closely to deal with the concerns that have been raised while independently appointed parties will make sure banks are delivering. It's this action that will provide the best outcome for all Australians.

Let me be clear. I'm not an apologist for the major banks. In fact, when one compares our performance with the majors across many of the indicators of good corporate citizenship, most people would conclude we are fighting well above our weight. And perhaps we should be doing a lot more to call that out. Our brand advocacy, customer satisfaction, trust and community contribution are all market leading. Those attributes underpin our right to operate under the social license that banks must earn. But by and large, I believe all banks have the right intent.

So why is the industry under so much scrutiny? Much of this arises when banks don't pass on changes in the official cash rate to mortgage holders. But this is not a one-sided argument. Banks simply intermediate between depositors and borrowers and earn a margin for doing so. The rates banks set must be attractive enough for depositors to provide the funds that are then lent to borrowers. Without those funds, there can be no borrowing. So when setting rates, banks have to consider lots of stakeholders. We try to do this as equitably as we can.

Hopefully, Australians understand there is no direct link between changes in the cash rate and what happens to rates on loans and deposits despite some recent opportunistic commentary to the contrary. It is a complex issue, but even a simplistic understanding of why banks price as they do will go some way to easing the angst.

So let me try to assist. There is an expectation in the community that banks pass on, in full, any rate cut the Reserve Bank of Australia makes to the official cash rate. As interest rates move lower, this is not a realistic expectation for a number of reasons.

Firstly, banks do not fund all their loans at the official cash rate. The cash rate is the rate which banks pay to borrow funds from other banks in the money market on an overnight basis. It is the RBA's operational target for the implementation of monetary policy. When the RBA board decides that a change in monetary policy should occur, it specifies a new target for the cash rate. A decision to ease monetary policy is reflected in the new lower target for the cash rate while a decision to tighten monetary policy is reflected in a higher target. It is simply an indication of where rates should head. The fact is that banks fund their loans from lots of different sources at lots of different rates: business and consumer transaction accounts; term deposits; issuing short- and long-term paper in wholesale markets; and through securitization. Given interest rates are at record low levels, some of these funding sources are already at rates so low they can't be repriced further downward. This impacts the rates banks set on loans they provide for mortgages and businesses.

Which brings us to a second reason: banks have a central role to play in market economies. They take deposits, generally for short terms, and use them to provide loans at much longer terms. This maturity transformation requires banks to manage liquidity and interest rate risk. Banks also take the credit risk on loans they make, ensuring depositors always get their money back whether or not the loans are repaid. Of course, they facilitate payments domestically and overseas, provide credit and debit cards, ATMs and meet many other customer needs. To take that risk and provide the facilities they do, banks earn a margin by charging borrowers more than they pay depositors. That margin covers the cost of running the bank and provides a return to the shareholders who provide the capital. If banks don't do that profitably, then there are no other institutions who will take on the credit, liquidity, interest rates and operational risk that allows depositors to earn an income securely and borrowers to buy houses and run businesses. People simply won't be able to borrow as banks won't attract the capital required to manage the risk of doing so or the deposits to allow them to lend.

Yes, banks make -- make profits, but a strong banking industry is fundamental to the strength of a country's economy. Unprofitable banks in Greece, much of Europe and the U.K. have seen those economies struggle. So I hope that explanation helps.

In finishing, I'd like to talk a bit more about our bank. Our organization has a commitment to making it easier for our customers to do business with us. Our investments and activities align with our strategic aims, and we focus on taking advantage of the opportunities that are ahead of us. I believe we are doing these things better each day. As a result, our bank is very proud of our strong and valued brand, our commitment to great customer service and our role in the communities in which we operate. Our actions in delivering on this promise are real and there for all to see.

Most importantly, I would like to thank our people for their efforts in trying to achieve our vision of being Australia's most customer-connected bank. Their efforts to deliver the amount of change that we have undertaken over the last few years while continuing to deliver for our customers is nothing short of amazing and is under-rewarded to some extent because of the tight environment. I would also like to thank our partners for assisting us in achieving our goals, our customers for their support and advocacy and our shareholders for providing us with the capital to make it happen.

Thank you for your time today.

Robert Niven Johanson

Former Independent Chairman of the Board

Thanks, Mike. So time for questions. There are 2 microphones, one over there and one there. Could you please, if you want to ask a question, go to the microphone and introduce yourself to the person who's looking after the microphone. Question over here?

Unknown Attendee

Mr. Chairman, we've got our first question from Norman West [ph] from the Australian Shareholders' Association.

Unknown Shareholder

Thank you, Mr. Chairman. My question, surprisingly, is to the auditor. But firstly, let me say I'm the monitor for the Australian shareholders. I'm holding proxies for 444 shareholders, which is about 2.5 million votes. Shareholders should be aware that from the 15th of December this year, the audit report is going to change very dramatically. The audit reports will be required to provide information about key audit matters, what's significant, what's important and how it's going to be handled. My question to the auditors is, in general terms, not specifically to the Bendigo Bank but in the banking industry, what are some of the areas that they may report on next year? And again, I stress to shareholders, next year, the audit report won't be a sign off. It will have some very significant reading, and perhaps the days of the auditors sitting down there wondering, "Won't somebody ask me a question?" are now over.

Robert Niven Johanson

Former Independent Chairman of the Board

All right. Well, I was going to be -- they were going to be introduced later. In fact, we have Graeme McKenzie and Luke Slater from our auditors. So Graeme?

Graeme McKenzie

Well, thanks very much, Norman [ph]. I've never been asked a question, first up, so I really do appreciate it. And that's -- someone's taking such an interest in the audit, which, clearly, from Luke and my perspective, is so critical. You are right, next year the audit report will actually be quite extensive. And this isn't just for Bendigo, it's for all listed companies. And this is a trend that's happening internationally. It's actually started in the U.K. And so next year, we will be going through more detail just explaining more to all readers of the financial statements the key areas of audit focus, how we've actually addressed those audit areas and, ultimately, the resolution of those matters. Now it is important to state that, that doesn't actually change the nature of what we're doing. The audit is still robust. It continues to be robust, et cetera. But in relation to your particular question, Norman, clearly, in relation to a bank and any bank, and Bendigo included, credit has to be a key area of focus. So you will see that coming through in the extended audit report, just how we've got comfortable in relation to provisions, both specific provisions and also general provisions. So that most certainly will be contained. Also in relation to prudential standards, the Chairman actually mentioned it early on about the extensive aspects of prudential standards. So we will be talking about prudential standards, and that will clearly be also for Bendigo. And also in relation to banks, we are anticipating that we'll be touching on information technology systems because I'd say it's so critical in relation to banks these days as there's more connections going through to the customer. So we will certainly be covering that. And specifically in relation to Bendigo, I know you said not specifically in relation to Bendigo, but it is important to say from an audit perspective, in this

year coming up, there is a new general ledger system going in at Bendigo. So from a financial reporting perspective, that will be a key area of focus for ourselves because, looking at reconciliations, working along with internal audit, et cetera. So that is a specific thought for Bendigo. But you are right, next year, it will be blockbuster reading I can assure you, in relation to the audit report. But it will actually be quite a bit more extensive. At the moment, it's around a page, 1.5 pages. And to be honest, it's fairly standard for every company. But in the future, it will be more tailored to specific companies. And I would anticipate, and indeed, we have actually drafted up and gone through with the Audit Committee already at Bendigo in relation to the form of the audit report, using effectively this year's audit, just this past, as a pro forma. And the report, I think, was -- ended up being around 6 pages long or so. So -- and it does refer to various aspects within the financial statement. So thank you for your question. I hope that's answered it.

Robert Niven Johanson

Former Independent Chairman of the Board

Thanks, Graeme. To all, I'm sure they'll be riveting reading, looking ahead, and everyone's looking forward to that. Any other questions? Have we got anyone, Alan [ph]?

Unknown Attendee

Yes, Mr. Chairman. We have Paul Fanning [ph] from Bulla.

Unknown Attendee

Yes, I have made it here many years in a row now, but I enjoy coming here. A couple of questions probably relate to either or both of your reports, and I commend -- firstly, I commend the Bendigo Bank on the women in leadership objectives, which you have achieved and 40 -- and the stretch target of 42% in senior roles by 2018. I also noticed in the shareholder review that your current running women in BEN [ph] is around about 61.5%, which is significant, and it's certainly a very good watermark, and it's probably going to rise a bit in the near future. And I guess this women in leadership program is well entrenched and that the target of getting 42% in senior roles by '18 probably wouldn't be overly onerous. Questions -- or actually, comment on that one. Now 2 other meaty questions. I note in both reports about the APRA accreditation process, I know, having been to many AGMs, that the accreditation process is -- can be long-winded, drawn out, and there has been many risk management processes back in functions put into the bank's operating system, which you have -- both have described. Where is that up to now because I think I asked this same question last year? And I know officially, comment can't be passed, but is the process almost at its -- in its final strokes? Is it going to be another 6 months, another 12 months, because it's going to have a cost -- going to have a direct cost to the bottom line on funding and probably integrated movements and the price you pay for funds, be that retail or wholesale. Now the other one, which is slightly aligned, is interest rate margin. Where does the interest rate margin sit at the moment? And what would it be projected to move at in the future? Is it right about 180 basis points? So I mean, in summary, Robert, they are my 3 more questions. Sorry, they're a little bit long.

Robert Niven Johanson

Former Independent Chairman of the Board

No, no. Thanks, Paul [ph]. So on the women in leadership, we're making good progress on that. I think half of the direct reports to the Managing Director are women. So I think at lots of levels of the bank, we now -- we've done -- we've made good progress, and the organization is a stronger, more robust organization, better able to deal with uncertainties, I think, as a result of those changes. On Advanced Accreditation, I'll let Mike address the issue of particular progress. But I'd just like to repeat what I said in my address. It's already made a substantial difference on the way we do business, and we're a stronger business for that. Mike, do you want to address the particular issue on APRA and then the margin?

Michael John Hirst

Former MD, CEO & Director

Sure. Paul, thank you for coming year-after-year. We appreciate that and the questions that you ask. The advanced accreditation process is closer this year than it was last year. Unfortunately, we're probably

not in a position to judge as to when that might happen. The applications are in before APRA, and so it's a matter of APRA working through that. I'd note that at the recent parliamentary hearings where APRA appeared, they acknowledged that there were a few banks who were close to getting accreditation, but they didn't put a time frame when asked on when that might be. So I guess it's best that I leave that there. In respect of the margin, I'm not going to provide guidance as to where the margin is at, other than to say it's a very competitive market. We've had an interest rate cut in this financial year already. And of course, as I outlined in my speech, the ability to pass that on in its entirety to borrowers is impacted by the ability to reduce deposits. And at these low level of deposits, it's impossible to pass it on, on some accounts and difficult on others, if you're going to remain retail funded as we are. So inevitably, in a falling rate environment, there's margin squeeze. You've seen that come through in all the bank results this year. I expect you'll continue to see that going forward. So it really is a relative question. And that's probably the best insight that I can give you.

Robert Niven Johanson

Former Independent Chairman of the Board

Emily [ph], do you have a question?

Unknown Attendee

We have a question from Greg Toll, who's a shareholder from Bendigo.

Robert Niven Johanson

Former Independent Chairman of the Board

Mr. Toll?

Greg Toll

[indiscernible] Bendigo AGM probably for about 30 years because I've been so busy. I'm a past Councillor of the Shire of Campaspe. I've had to resign from that come 1st of December because I'm no longer a person in the Shire of Campaspe. I've also just had to resign from being the President of the Murray Darling Association. But yesterday, I took Lisa Chesters and I to catch up with young farmers in Echuca, Gunbower and Cohuna. And their biggest frustration at the moment, as we all know, they just got out of jail free [ph] along this government at the moment. If it hadn't rained, it would have been desperate up there. But the worse thing about the drop in milk prices is it's forced a lot of our young farmers to think about whether they're going to stop on their properties. And one other thing that did come up yesterday was the book work or the paperwork when they look for a loan just to sustain themselves for a while. And as you know, well, you took out the Rural Finance of the -- Rural Finance. And they are concerned that there's too much paperwork for them to fill out while they're all basically working 70 and 80 hours a week. They haven't got the time to do it properly, and they're losing a lot of confidence in stopping on farms, and I'm talking about young blokes between 35 and 45. And if we lose them, I don't know who's going to feed Australia.

Robert Niven Johanson

Former Independent Chairman of the Board

Yes. Thank you. And that is our -- those areas are, in a sense, the heartland of the organization. And particularly since we expanded our Rural Bank business through the acquisition of Rural Finance, we, too, have a very big investment in the future of farming and the future of those farmers. We do, on behalf of the government, conduct or manage the -- some of the aid programs. And I might make any comments about that management task in particular, but we do it on behalf of government. But as a bank, we are really committed to ensuring that young, smart farmers are the ones that we support through difficult times like you've described because they're the future of our business. And we will continue to work with them as we have in the past. Mike, do you want to talk about the support program?

Michael John Hirst

Former MD, CEO & Director

Yes, well in terms of the support program, that's being put in place by the federal government and through the state government. There's -- the paperwork associated with that, of course, reflects the requirements that they have. That's not an issue that we impose ourselves upon other than processing that. I think in respect of the young farmers, the initiatives that we have available through Rural Finance are twofold. One is that each year, we set aside a certain amount of money to provide young farmers with the ability to get into their own farms. And that's certainly been a real centerpiece of the growth of their Rural Finance book over a long period of time. Additionally, we provide a scholarship program for people to become involved in agriculture and work their way through. And alumni programs run off the back of that, which is very strong and assists farmers through. As a general comment around the amount of paperwork that's required, one of the ironies of the issues that occur with new legislation is that things like unconscionable lending, that sort of new regulation, actually impose a lot more conditions upon banks in terms of when, why and how they can lend. And inevitably, that involves more and more paperwork and more and more information being provided. And I think it is a disappointing thing because it ends up putting far more weight on numbers and facts and figures than it perhaps does on character. But that's the way the legislation is headed, and that's one of the dangers of government inquiries, royal commissions, because at the end of the day, the way governments know to fix that is through greater and more legislation. And so in particular, the unconscionable lending piece, has made lending a little more difficult in terms of the assessment. Of course, when banks lend to people, they want to make sure that they're able to pay it back. We don't want to put people in positions where they're going to fail. And so that does involve making sure that we analyze the data, understand the position that borrowers are in so that they can be successful in what it is they're trying to achieve.

Robert Niven Johanson

Former Independent Chairman of the Board

Thank you for that. Alan [ph], another question?

Unknown Attendee

Mr. Chairman, we have another question from Rex McKenzie of Bendigo.

Robert Niven Johanson

Former Independent Chairman of the Board

Welcome back, Rex.

Rex McKenzie

Thank you, Mr. Chairman. I have a question and a comment about the annual report. And in one way, it's following on from what Norm [ph] asked of the auditor. But I found this year's annual report very readable, and anyone that hasn't read it, I suggest they have a look because it does respect the ordinary shareholder reading it. Certainly it did to me. It does explain what the bank does. There was one thing I felt could be added. It looks a little bit impersonal. Where they've got the directors, what happened to the mugshots? Or it just adds a bit of a personal element to it and I miss it.

Robert Niven Johanson

Former Independent Chairman of the Board

That's very kind, Rex, but we're being criticized for not providing photos of ourselves. But I'm sure, if you look on the website, you can find us somewhere. Another question over here.

Unknown Attendee

We have another question from Norman West [ph].

Unknown Shareholder

I won't comment on the photos, Mr. Chairman. Basically, the press has been giving the banks a hard time over the inquiry. My question probably to Mr. Hirst is more inclined about the digital disruption and that there's been a lot of comments and articles. But particularly in regard to Bendigo Bank, the connectivity

between all the programs, what costs and what problems have occurred in connecting Rural Bank, Rural Finance and now Keystart onto the mother bank program? Because this is going to be a problem, if it is a problem, running into the future.

Robert Niven Johanson

Former Independent Chairman of the Board

So that's a pretty broad question. In respect of the digital disruption piece, that is something that every business is going to have to face up to, be it banks or other things. The new technologies, the willingness of people to adopt mobile platforms and do mobile transactions is certainly something that we're very attuned to, and a lot of our investment is going into those front-end systems to make that customer experience better each day. I mean, I will say I think one of the issues for the banking industry going forward is because of things like Tap & Pay and payWave and mobile platforms, et cetera, we're actually increasing the number of transactions that people do across the systems. And I wonder whether or not we've really thought through how that all might play out in the end. And you are seeing a lot more episodes of disruption in terms of the systems and the amount of time they're up for than perhaps what we've seen in the past, and that is something that we need to work through. In terms of merging the businesses that we get in, there is a significant cost in that varies from acquisition to acquisition. The Keystart acquisition, for instance, won't cost us a lot in terms of system development because that book is going to continue to be serviced through Keystart. We'll pay them a fee to do that. With the Alliance Bank model, there's a bit more cost involved in something like that as it would be with Rural Bank if we want to win it great [ph] across our existing systems. One of the opportunities going forward, though, is that with the rapid pace of change in technology, new solutions come along every single day. So if ever you're going to kick the can down the road to see what might happen, now is a good time to be doing it. And that's -- it's certainly a consideration that we need to think about. Having said that, we've just completed a project around our general ledgers where we've bought 6 general ledgers into 1, and that took a number of years and a significant amount of dollars. So technology is an enabler, and at the same time, it can be a millstone around your neck.

Robert Niven Johanson

Former Independent Chairman of the Board

Jacquie, do you want to add anything to that?

Jacqueline Cherie Hey

Chairman of the Board

Look, I think Mike has covered it very well. It's an important part of the future. It's something that banks have been on the journey for, for many years now and handling very well relative to other industries. But it's affecting all industries these days, certainly not just banks. So I think as our bank, we're certainly very aware of the technological advances that can help customers and investing there. We're certainly aware of the efficiencies in running banks and are investing there. And we're also aware of the risks and the challenges that come with that, and we have to invest there as well.

Robert Niven Johanson

Former Independent Chairman of the Board

Thanks. Another question, Alan [ph]?

Unknown Attendee

Yes, Mr. Chairman. You have a question from Harold Pantestas [ph] from Melbourne.

Unknown Attendee

Something hasn't been mentioned this morning about the Share Purchase Plan on the Keystart acquisition that's just been taken. The prospectus I thought was rather poor and didn't give us too much information about what's going on. Now after doing a bit of digging around, I find that they've got 6,000 customers of average loan of \$225,000. Now with that -- none of the loans are covered by lenders mortgage insurance. Could you add a little bit more on that, please?

Robert Niven Johanson*Former Independent Chairman of the Board*

I don't -- well, the share purchase -- I don't -- have we announced what happened? The completion? So it was, we think, quite a successful issue. I think over 10,000 shareholders took up the offer. And we raised, I think, about \$60 million. The announcement, the exact announcement -- amounts will be -- out now already on them. So for us, that's about exactly where we are hoping it would end up. For the business itself, again, I might get Mike to comment on that. But for us, it was an opportunity to expand our reach into Western Australia and to a group of customers or potential customers that we hadn't reached then. We're confident that, that will add to the base of our business in Western Australia. So it was really a good way of expanding our business and our operations there. But Mike, you might want to comment on any particular issues about the portfolio.

Michael John Hirst*Former MD, CEO & Director*

Sure. So the Keystart portfolio is really a portfolio of first home buyers. In many states in Australia, state governments support first home buyers by providing them with a first homeowner's grant. So they might give them \$7,000 or \$15,000 to help them where they perhaps haven't got enough savings to be able to meet the requirements of the banks. In Western Australia, they take a different approach where they run the Keystart business to assist those first home buyers. Typically after 4 or 5 years, they've got enough equity in their homes so that they can refinance to mainstream providers. The seasoning of the book that we bought was 5 or 6 years. So these people have got well-established records of repaying their loans. They've got their LVRs on their loans or the amount of equity on their loans has increased significantly over that period of time to the point where they're getting close to being able to refinance to mainstream providers. Our hope is that of the 6,000 customers who are in the portfolio that we've purchased, that many of those will refinance to us and that we'll be able to pick up their transactional account business and their other financial services businesses as well. It's a particularly good opportunity for us. We think that it complements our existing business in Western Australia well. Yes, there's no LMI coverage of it, but that's because they're down at those LVR levels that really don't require it.

Unknown Attendee

The mortgage insurance?

Michael John Hirst*Former MD, CEO & Director*

Yes, so sorry. When I said LMI, I meant mortgage insurance. So it's lenders mortgage insurance. So the LVRs or the equity in the property is now at a level where that's not required.

Robert Niven Johanson*Former Independent Chairman of the Board*

Good. Emily [ph], no? No more? Paul is back, is he?

Unknown Attendee

Yes, Mr. Chairman, Paul Fanning [ph] is back for another question.

Unknown Attendee

Robert and Mike, the SPP issue was of interest to me. Are the -- I think you announced -- as you rightly said, you announced to the market yesterday approximately \$60 million proceeds from the SPP. How far -- what was these -- was there any target amount that the bank was aiming for? How does that relate to the institutional book bill? Was that within target?

Robert Niven Johanson*Former Independent Chairman of the Board*

There was no institutional raising. It was simply an SPP.

Unknown Attendee

Okay. So there's no -- nothing out to market for...

Robert Niven Johanson

Former Independent Chairman of the Board

No, that's it.

Unknown Attendee

Okay. Now in regard to the SPP, what gap is there now between the funds raised and the cost of taking over the Keystart loan?

Michael John Hirst

Former MD, CEO & Director

We think we've now provided -- we've got sufficient capital.

Unknown Attendee

Which is?

Robert Niven Johanson

Former Independent Chairman of the Board

I'm sorry?

Unknown Attendee

Which is?

Robert Niven Johanson

Former Independent Chairman of the Board

Well, it will be the -- we need \$60 million and in other funds we have available.

Unknown Attendee

And what might that be?

Robert Niven Johanson

Former Independent Chairman of the Board

Oh, I don't know I've got the exact number.

Michael John Hirst

Former MD, CEO & Director

Well, it's a \$1 billion portfolio near enough.

Robert Niven Johanson

Former Independent Chairman of the Board

It's \$100 million, something like that? But that will be funded through various components of capital.

Unknown Attendee

Okay. Now I'll just -- given that the -- there's a lot of very strong lower retail base than when the \$60 million was raised, I thought, or maybe that was a little bit on the lower end...

Robert Niven Johanson

Former Independent Chairman of the Board

No, no, that's -- we think that's a very good participation rate for these sorts of programs, so we're delighted. And we thank all of you who participated. And I said there's a lot of share. So as I said in my address, we know there's a lot of shareholders who really aren't interested in continuing to invest and much more interested in getting income out of their shares. So programs like SPPs and dividend reinvestments give shareholders the choice about whether they want to continue to make new investments or whether they're happy to let their investment just return to them income. Some people use franking credits. Some don't. We think that's a good way of addressing all these things. Good. Thank you.

All right. If there are no more questions, and I think there are none. Let's move on to the business. So let's first move to discuss the accounts, and I'll ask Rob Hubbard, who's Chair of the Audit Committee, to come and do that.

Robert Hubbard

Non-Executive Director

Thank you, Robert, and good morning, everybody.

Our annual report has been available to shareholders through the website and by mail. I would like to thank the comment on the annual report because there was considerable effort put into making the annual report a much simpler document, a much more readable document and despite the photographs, which is pleasing to know, would have enhanced its quality rather than detracted from its quality. So there's a lot of effort there and it's nice to see it's appreciated.

Under the Corporations Act, the board is responsible for the preparation and approval of the bank's financial report. Our external auditors, Ernst & Young, have issued an unqualified opinion on our financial report. There is no requirement for a shareholder to vote on this item. And hence, I propose that the 2016 annual report be taken as read.

The opportunity -- now come to questions of the auditor when we previously had a question from Mr. West [ph] of the auditor. But the opportunity to send a written question to the auditor was made available, and whilst a few questions were marked to the auditor's attention, the questions were really not matters in relation to the external audit or the annual report and have been dealt with separately.

Mr. Graeme McKenzie and Mr. Luke Slater who are the joint signing partners at Ernst & Young, responsible for the 2016 external audit, are both here at the meeting and are ready to answer any questions. Are there any further questions of Ernst & Young?

There appear to be no questions for the auditor. I'll now move to more general questions on the annual report. If anyone has a question relating to the annual report, could you make your way to one of the seats near the standing microphones, please?

It doesn't appear there are any questions on the annual report although we did cover many of the items of interest in the earlier questions. There being no questions on the annual report, I'll hand back the chairmanship to Robert. Thank you.

Robert Niven Johanson

Former Independent Chairman of the Board

So now we move to the matters that do require voting by shareholders, and I'll open the poll for voting and move to the remaining items of business. To assist with the poll, we have Bridgette Rogers from Boardroom, which is our new share registry service provider. Bridgette, where are you? Down the front here, if you've got any questions. And she'll act as returning officer and she'll be available to help anyone in relation to the poll. So she will be around here after we finish the meeting if you want some help or need some advice in relation to completing the poll.

You can submit your voting card at any time in case you need to leave the meeting early, but I hope you all stay for the discussion and ask any questions. At the conclusion of each item, I'll give you some -- a

moment to mark your cards. And when you're finished, please place the completed voting cards in the ballot boxes that are located in the exits to the theater.

So first, 5 items relate to directors. I'd now like to consider the election of our newest board member, Jan Harris. Jan was appointed to the board in February of this year, and she's been a member of the Audit and the Risk Committees since her appointment. Before joining the board, she had a distinguished career in the Commonwealth public service working in a variety of senior roles, including deputy secretary of the Treasury. She was member -- while in the public service, she was a member of the Council of Financial Regulators, a member of the Centre for International Finance and Regulation and the Financial Sector Advisory Board. And she continues to be a member of the Audit and Risk Committee of the Australian Security Intelligence Organization.

Over her career, she's gained vast experience in the workings of government, policy formulation, finance, markets and governance, so she brings a set of skills to the board that complement other board members. When we were thinking about what are the skills we want of new board members, and you think about the impact that government and regulation has had on our business over the past decade, I hope you'll see why we thought that this was one area we can do with strengthening. I think when I look back over that decade, in some of our ability to respond to some of the urgent policy issues, we were probably underequipped and a bit naïve. And certainly Jan has already brought great strength to those sort of issues.

I'm delighted, and the board is pleased to recommend her election to the board. And I'll invite her to say a few words. Jan?

Jan Harris

Non-Executive Director

Thank you, Robert, and good morning, everyone. I want to say I'm very excited to be here and to be part of the Bendigo and Adelaide Bank and all that the bank stands for: customer focus, community, shared values, caring about people and 100-year view. As Robert commented, I think what I bring to the board is skills, expertise and experience garnered over 30 years in working across government at a very senior level. This means that I can bring insights that help the bank as it navigates both regulatory challenges but opportunities ahead. I'll work hard with my board colleagues to support a successful, sustainable and trusted bank, and I look forward to being part of shaping the bank's future. Thank you.

Robert Niven Johanson

Former Independent Chairman of the Board

Thanks, Jan. So I'd now like to move the motion, which is, I think, on the screen, which is that Ms. Jan Harris, who retires from office under Rule 59 of the bank's constitution, is elected a director of the bank.

The direct voting and proxy details -- that's the resolution. Now the proxy details? There's the proxy -- there's the direct votes and proxy. They're displayed for your information.

Does anyone have any questions in relation to Jan's election? If so, please go to the microphones. No questions? Good.

And I'd now like to put the motion to the meeting. Please mark your card on item 2 of the agenda as you decide.

[Voting]

Robert Niven Johanson

Former Independent Chairman of the Board

Thank you. I'd now like to move to next item, which is considering the election of Rob Hubbard. He's the first of our directors seeking reelection this year, and he's been a director for 3.5 years. Before joining the board, he was an audit partner at PricewaterhouseCoopers for 20 years based in Brisbane, where he was lead auditor on several major Australian-listed companies. Rob chairs the Audit Committee and he's a member of the Risk Committee. He is a Queenslander, and that's ensuring geographic diversity as one

of the things we look to in putting the board together. He's also a Non-Executive Director on several public companies, including Primary Health Care, Orocobre and Central Petroleum as well as board member for several community-based organizations, including Opera Queensland and MS Research Australia. He's also a member of the Council of the University of the Sunshine Coast. He is passionate about his home state of Queensland and the importance of building strong communities.

We are pleased -- very pleased to recommend his election to the board, and I invite him to say a few words.

Robert Hubbard

Non-Executive Director

Thank you, Robert. When I stood for election 3 years ago, I commented on how much I'd admired the bank over some years giving its focus on community. I think it's important that I sort of report back to you that 3 years later, I'm still very strongly of that view, the concept of community-shared value and customer centricity is at the heart of everything we do.

In the last 3 years, I've worked very hard with my colleagues, particularly in the process of advanced accreditation but on many of the challenges that all organizations receive in this fast-moving world. I'm a very enthusiastic member of the Audit Committee and the Risk Committee. And in many respects, I leverage off my 30 years in professional practice focused on those areas.

It would be remiss of me not to comment on the fact that one of the proxy advisers, these are the organizations that advise institutional investors on the whole, recommended against me being reelected on the grounds that I have too many commitments. You should know that they don't speak to directors when they make that recommendation. So they have no idea about how I manage my commitments. I'm a believer that hard work never hurt anybody, and I work very hard on my various commitments. I have no doubt that if they had asked me, I would have been able to assure them that I could do this role and my other roles with all of the commitment that is required.

I believe I can continue to make a very valuable contribution to the bank, the board and through this, to you, the shareholders, and respectfully ask for your support in this election. Thank you.

Robert Niven Johanson

Former Independent Chairman of the Board

Thanks, Rob. So I now move the motion that's presented on the screen that Mr. Rob Hubbard, who retires from office under Rule 72, is reelected as a director of the bank. Are there any questions?

Unknown Attendee

Mr. Chairman, we have a question from Norman West [ph].

Unknown Shareholder

Probably more a comment. Ms. Harris, welcome to the board. Mr. Hubbard, you answered the question. But from the ASA perspective, you are, well, policy-overloaded, 2 chairmanships and 2 directorships. It's the need, I think, there for some guidelines that's the problem with things like this. And I'd suggest there that Mr. Hazel following, he's within our policy, but again, someone who has a very busy schedule and where the line is drawn is always going to be a problem. But I think in making a general comment, Mr. Chairman, the corporate governance statement of the bank needs an update, needs to sort of make -- give some guidelines without making arbitrary statements about director workload, what is a workload, whether you believe, as a bank, that you want directors to have shares in the company. I'm pleased to see that they do have them. I think you need to put in a skills matrix there somewhere. You did -- you mentioned that one. And I think tenure needs to be discussed in that particular statement, and how you define independence would be another issue that would be excellent if you had some guidelines in it.

Robert Niven Johanson

Former Independent Chairman of the Board

All right. Well, thank you for that. I should say -- I will address some of those concerns, but I should say that we do -- directors only take on new roles after they do talk about it. And I assure you, we -- I would, if I felt there was any question that either in prospect or in fact, that their ability of individuals to do the job is being compromised as a result of other commitments, they would be addressed. That has not arisen in any of these cases. And all the directors put in a huge amount of work in looking after their responsibilities in relation to this bank. So I really -- there is no question in my mind about what has happened. And of course, there's that old saying, Norm [ph], that if you want something done, give it to someone who's got -- who's busy. Otherwise, it'll -- these tasks tend to take up the time available. We will -- I think we do publish definitions of independence. Do we publish skill matrix and things like that?

Unknown Executive

Yes. The skills matrix is included in the corporate governance statement.

Robert Niven Johanson

Former Independent Chairman of the Board

Yes, so in the statements you'll find in our -- that those things are there. So -- and the board is, as you -- I think you get the sense, it is a very diverse group of people, very different backgrounds, different skill sets and from different places. And it's a very, very strong board.

Are there any other questions in relation to Rob? I'll put -- we'll now display the direct voting and proxy details on the screen. And I'll put the motion. So could you please mark your -- complete your vote on item 3 of the agenda by marking your card.

[Voting]

Robert Niven Johanson

Former Independent Chairman of the Board

The next retiring director is Jim Hazel. Jim is well known through South Australia, where he's lived and worked all his life. He has extensive experience in banking, finance and various roles, including sometimes the senior executive with Adelaide Bank in the 1990s. He's been a valued member of our board since 2010. He's a Non-Executive Director of a number of public and private companies, including Ingenia Communities Group, Centrex Metals, the Adelaide Football Club, the Motor Accident Commission and Coopers Brewery. He chairs our Risk Committee. He's a member of the Credit Committee and of the Technology & Change Committee. His boardroom experience and prominence in South Australia are 2 of the many valuable attributes that he brings to the board, and we're very pleased to support his reelection. Jim?

James Thomas Hazel

Independent Director

Thank you, Chairman. Can I also say to Rex that all of my colleagues think your annual report's greatly enhanced by the absence of my photo. But I've been on the board, as Robert said, since 2010. And to me, it's been a great honor. I believe very strongly in the bank's vision and values, its position in the marketplace and its position in the communities it serves. I have quite a lot -- in the last 15 years, quite a lot of board experience. And I had a career in banking in various forms including retail banking. I think those things allow me to make a contribution to the governance structures of the bank. So with that in mind, I seek your support to -- for reelection for another term.

Robert Niven Johanson

Former Independent Chairman of the Board

Thank you, Jim. So now, I'll move the motion. As presented on the screen, Mr. Jim Hazel, who retires from office under Rule 72 of the Constitution, is reelected as a Director of the bank. The direct voting and proxy details are now displayed for your information.

Are there any questions relating to Jim or his reelection? If not, I will proceed to put the motion. Could you please complete your vote on item 4 of the agenda, that's the voting details, by marking your card?

[Voting]

Robert Niven Johanson

Former Independent Chairman of the Board

All done? Thank you. The next director seeking reelection is David Matthews. David has been a board member for 6 years. He's a member of the Audit and Credit Committees. He's also been appropriately as a farmer, a Director of our subsidiary, Rural Bank, for a number of years. He is a farmer and a businessman from the Wimmera in Western Victoria. His involvement with the bank began in 1998, when he was appointed Chairman of the very first Community Bank company based in Rupanyup and Minyip. His extensive experience in agribusiness, strong connection to regional communities. He's a Director of Pulse Australia, Australian Grain Technologies and he represents the bank on the Community Bank National Council. He brings to our board skills and experience that some, I think, are unusual for a listed Australian bank. But we consider David's background as particularly valuable in a company such as ours. He brings another perspective to board discussion, and we are very pleased to recommend his reelection to the board.

David, would you like to say a few words?

David John Matthews

Independent Director

Thanks, Robert. And I'm delighted that most of us in our organization can now say Rupanyup because we couldn't 7 [ph] years ago. And we had trouble spelling it, too. I think we took 4 goes at the signs to get the spelling right on Rupanyup Minyip. So we've come a long way. And as Robert said, it's 6 years since I joined the board. And for someone from a noncorporate -- I'm a farmer, a small businessperson, certainly there's been some personal challenges in that. But it's also I think it's being reflected today some really considerable challenges for our group. And I can find this role at times very challenging, at times frustrating, but at times extremely rewarding, and that can be all on one day. As Robert and Mike have both said in their reports, it is a competitive and complex business environment that the bank operates into regulation through the speed of technology adoption, the expectation of our customers. That means that we're having to constantly change. Something that I think is often overlooked is the challenge brought about really by our own success in an industry that's dominated by 4 very large corporations. We can forget that Bendigo and Adelaide Bank is now some 7,000 people. So that creates that sort of internal challenge as well. And Mike and his management team and in fact every employee having to deal with that constant internal change as well as adopting to the significant external change that's going on. The frustration and again, we've talked today about the great work that this organization does. And it's not -- I don't think they're sort of hollow words, if you look at the impact of the Community Bank network nationally. If you look at things like the community sector bank's work in the not-for-profit sector, look at some of the work we do within the scholarship program in the youth areas. We are an organization that I think is widely respected. We're seeing that we have integrity and that we have impact beyond just banking business. Translating that into sustained growth, I find that frustrating. How do we get that translation? How do we get people to come and I guess bring their business to us? And I think we probably all have roles in being 24/7 advocates for the bank, and the message can be pretty simple. If you like what we do, come and bank with us. The rewards again I think have been well talked about. This simple [ph] organization really is the embodiment of shared value business. We do go out and we take people along for the ride with us. And for those of us who are involved on a regular basis, that is very rewarding, very satisfying. Everyone within Bendigo and Adelaide Bank can go to work each day knowing that they truly make a difference. And that's pretty good. I don't think you can say that in a lot of jobs. So with your continued support, I look forward to continuing to work with the bank for another term. Thank you.

Robert Niven Johanson

Former Independent Chairman of the Board

Thanks, David. So now I'd like to move the motion that Mr. David Matthews, who retires from office under Rule 72 of the constitution, is reelected as a Director of the bank. Direct voting and proxy details are on

the screen now for your information. Are there any questions about David's reelection? No? Then I'll put the motion to the meeting. Please complete your vote on item 5 of the agenda by marking your card.

[Voting]

Robert Niven Johanson

Former Independent Chairman of the Board

Now I'm up next, so I'll hand over to Tony Robinson, who's the chair of the governance and HR committee, who will conduct this item of business. And he'll then present the remuneration report. Tony?

Antony David Robinson

Independent Director

Thank you, Robert. As Robert has said, the next director up for reelection is our Chairman, Robert Johanson. And I'm delighted to propose Robert for reelection. Robert joined the board in 1988 and was appointed Chairman in 2006. Robert's a banker and corporate adviser, and he's played a pivotal role in guiding the bank through significant change, economic cycles and regulatory reform. His experience brings a depth of perspective and a corporate memory that is of particular value to board discussions. Robert is Deputy Chancellor of the University of Melbourne and Chairman of Australia India Institute and The Conversation Media Group. He's also a Non-Executive Director of Grant Samuel and MBD Energy and was, until recently, a member of the Takeovers Panel. Robert is a member of the Governance & HR Committee and the Technology & Change Committee and a director of our joint venture, Homesafe Solutions. Some governance commentators have taken the position that once a director has served on a public company for a fixed period, then that director should no longer be considered to be independent. Most take a more substantive approach and look at other factors as well as tenure. The board believes that there's significant value in the experience and wisdom accumulated by individuals over time, and that's true of employees and directors. Robert's time with the bank is a good example of that, with the period encompassing significant change in the regulatory environment, the economic climate and the competitive landscape. Robert's experience in these events continue to make a contribution to his perspective and consequently to the business. Having said that, Robert's time on the board was a key consideration for the board when it addressed his nomination for reelection. The board determined that Robert continues to test and challenge the management team constructively and always provides independent judgment on matters presented for board decision. And as a consequence, he continues to qualify as an independent director. The board is pleased to recommend his reelection. Robert will now say a few words in relation to his reelection.

Robert Niven Johanson

Former Independent Chairman of the Board

Thank you, Tony. So I do have quite a long experience now on this board, but as I hope you will have seen from -- and heard in relation to the other directors, we do have a real mix of experiences, a number of new directors and a good rolling average if you like of skills and experience. I think that my background -- my long experience on this board is of some value. I must say when I was thinking earlier about -- reading out that this last year we made \$460 million thereabouts. As I recollect, with the depth of the days of the pyramid-building society collapse, our total assets were probably about that amount. So there has been a massive change in the nature of the organization and the size and the issues to be faced. It has been, for me, a great honor to be part of the growth of this organization, and I remain highly stimulated and interested in its future. This will be the last time that I put myself forward for reelection, so this will be the last time I do that. So in the next 3-year period, there will be transitions. But I hope you'll agree with me that on the board, there are many people who would be well able to take on that role in due course. Thank you.

Antony David Robinson

Independent Director

Thank you, Robert. I now move the motion as presented on the screen. Mr. Robert Johanson, who retires from office under Rule 72 of the bank's constitution is reelected as director of the bank. The direct voting

and proxy details are now being displayed for your information. If anyone has any questions relating to Robert's reelection, could you please now make your way to the microphone?

Unknown Attendee

Mr. Robinson, we have a question from Norman West [ph].

Unknown Attendee

It's going to seem a little churlish in the light of your announcement, Mr. Chairman. But I need to make very clear that we -- we're voting against your reelection basically on 2 grounds. One, the ASA policy does have a limit of 12 years on independents. And you've probably gone over that one a little bit, but that is our policy. The second one is the board definition of independence. And the board has made a very disappointing effort. You outlined -- the board said he made independent -- not he. Mr. Johanson made independent judgment. He challenged senior management. Well, the Chairman's reputation and my experience with him, I would say that he's done that since his first meeting. And he will continue to do it. And if there is any board member here that doesn't do exactly the same, they shouldn't be on the board. The issue was tenure. And I believe the board should have argued for the Chairman's independence along the lines of the issue, tenure, and what impact that has had and what impact he has had. Those 2 statements in there just make a board member competent. And we're talking about independence. Thank you.

Antony David Robinson

Independent Director

I'm delighted to make a comment on that. The first is that, absolutely, people need to be independent of management, and they also need to be competent. I hope that each of the directors that have spoken to you today give you confidence about their competence, their experience and their judgment and their ability to articulate ideas. So I think that is a given. I haven't argued for Robert's competence because I think that is a given. The issue that people raise about independence is that you stop being independent of management, and there's a need for the board to be independent of management. Robert inherently has no conflict so there's no need for him to be concerned about independence that arise from a conflict of excess ownership or transactions that other parts of his life are having with the bank. So the independence issue that people argue about relates -- as it relates to tenure is independence of management, and that's why we particularly address that in our comments. I hope that provides everyone with a sense of perspective on the comments that have been made and give you the answer that you're hoping to get.

Is there anyone else that has any questions?

Unknown Attendee

Mr. Robinson, we have Rex Mckenzie of Bendigo.

Rex Mckenzie

Thank you, Mr. Chairman. I'd like to also make a comment that I was going to vote against the reelection of Rob Johanson. Much and always, I appreciate how much he has done for the bank in the past, and I'd like to make a comment on independence. There was a chaplain to the U.S. Senate called Peter Marshall, who was a subject of a story and a film, A Man Called Peter. And he had a severe heart attack and nearly died and was put out of action for a while. And he was minister for the largest Presbyterian church in New York, which was a big thing in those days because it was about early -- 19th century or near the middle of it. And someone asked him what did you learn after your heart attack? He said, "I learned the kingdom of heaven can carry on without Peter Marshall." Now I'm sure the Bendigo Bank will be able, in 3 years' time, to carry on without Robert Johanson, and that's no reflection on the work that he's done.

Antony David Robinson

Independent Director

Again, Rex, thank you very much. I would actually just make 2 quick comments about that. I like your point, but I disagree with your conclusion. I think the fact that the bank and the board can roll on without Robert is actually a tribute to Robert. He's done a lot to reinvigorate the board as he talked about in his short speech. That there is a great mix of people and personalities and perspectives and tenure on the board, and I think that is a particular legacy of Robert. As is the bank itself. I'm sure there'll be moments in the future where we can look backwards on Robert's time, but I would say that in talking to some of the proxy advisers, one made the great comment that it will be a knowledge base and an experience base that will be difficult to replace. And I think that's the advantage of tenure. It's the perspective that's brought to the board by longevity. That's true, as I said, of both directors and board members. And I think that is hard to replace. But thank you, Rex.

James Thomas Hazel

Independent Director

Can I just make a comment to the Shareholders' Association? I think if in 2 items today, you've talked about the guidelines that you have. One, a definition of when a director is busy or not and another on tenure, I think you need to look at your guideline to take into account specific circumstances and specific companies. I mean, I know directors on 2 boards that are too busy and directors on 8 that aren't. And I know Directors that should go after 5 and those that should go longer. So I think to try to apply those kind of hard and fast rules is very difficult and doesn't always set the circumstances you find yourself in. I think this board has thought long and hard about the tenure of our people, and including the Chairman. And I believe we've come to the right decision.

Antony David Robinson

Independent Director

Thank you, Jim. I'd reinforce that point. I spent a moment, courtesy of Ernst & Young, with one of their partners out of the U.K. yesterday who deals with the regulators in the U.K. And one of the conclusions was that rule-based approaches haven't worked and judgment-based approaches need to be fed into processes in conjunction with rule-based approaches. And I do think that just adopting hard rules on issues create problems -- it does create problems.

I think -- are there any other questions in regard to this resolution? If there are no others, I will now put the motion to the meeting. Please complete your vote on item 6 of the agenda by marking your voting card.

[Voting]

Antony David Robinson

Independent Director

You have me for a little longer because the next item is the remuneration report, item #7 on the agenda. The next item of the business is to vote on the 2016 remuneration report, which appears in the 2016 annual financial report and contains information about the bank's remuneration arrangement for its key management personnel.

The board aims to structure executive remuneration to incentivize executives to drive the business' strategy and create long-term value for shareholders. It achieves this by dividing remuneration into 3 core components: base pay, short-term incentives and long-term incentives. A proportion of base pay and short-term incentives are paid in shares and deferred for a period to ensure alignment with shareholders' interest. And the long-term incentives are paid -- all paid in shares. The board believes that paying executives using share, as I've said, aligns them -- aligns executive pay with shareholder interests. This year, as the increase in cash earnings was relatively modest, a result which was broadly in line with the rest of the banking industry. The board accepted the recommendation from the Managing Director that there should be no increases to the base pay for senior executives and that no bonuses would be paid to salary employees. A similar approach was taken to Non-Executive Director fees, which were not increased this year. And the executives' long-term incentives tested at the end of 2016 financial year all lapsed because the relative total shareholder return threshold was not met.

The vote on the remuneration report is advisory only and does not bind the company or the board. Nonetheless this vote is very important because a vote against the remuneration report of more than 25% of the vote cast for 2 successive years triggers a process that can result in the whole board being spilled. Having said all that, I now move the motion as presented on the screen. The remuneration report for the bank, as set out in the annual financial report for the financial year ended the 30th of June 2016, be adopted. The direct voting and proxy details are now being displayed for your information. Does anyone have any questions in relation to the remuneration report? If so, please move to one of the microphones to ask your question.

There doesn't seem to be any questions. I now put the motion to the meeting. Please complete your vote on item 7 of the agenda by marking your voting card.

[Voting]

Antony David Robinson
Independent Director

So the last item is the proposal to issue securities to the Managing Director, item 8 on your agenda. The next item of the business of today's agenda is the proposed grant of performance rights and deferred shares to Mike Hirst. The proposed grant of performance rights and deferred shares are effectively a 2-year extension of the Managing Director's current equity incentive scheme. The number of performance rights and deferred shares to be granted for each year matches the number of performance rights and deferred shares under the current arrangements. There have been some modifications to the performance right, such as the inclusion of a new customer advocacy hurdle to 30% of the total value of the performance right grant. And the extension of the performance period of the rights from 3 years to 4. When discussing these modifications with the bank's institutional shareholders, a small number expressed concern about using the Net Promoter Score metric as they believe that focusing on customer advocacy does not necessarily drive a better shareholder outcome. Given that feedback, it's worth noting that the board has made the change to long-term incentive program for 2 reasons: firstly, to tie some appropriate part of the total remuneration to our long-term strategy of aiming to be Australia's most customer-connected bank, which we believe is a key part of building long-term shareholder value. And secondly, to reflect the concern that the value of the long-term incentive that is based only on relative total shareholder return is compromised by the lack of control by management over key drivers of total shareholder return. There is concern this consequently diminishes the long-term incentive's ability to influence behavior which is its principal purpose. While we have these concerns, we remain committed to the use of relative total shareholder return, with 70% of the long-term incentive still based on a relative total shareholder return hurdle. It's also worth noting that the proportion of Mike's remuneration that the board targets to be paid in shares to ensure alignment with shareholders is 55%. The board believes that the Managing Director has done an outstanding job and considers the proposed equity grants to be fair and reasonable.

I now move the motion as presented in the notice of meeting which is being summarized on the screen. The bank approves grants of performance rights and deferred shares to the Managing Director as described in the explanatory notes accompanying the notice of meeting. The direct votes and proxy details are now being displayed for your information.

Are there any questions on the proposed grants to the Managing Director as described?

Unknown Attendee

Mr. Robinson, I have Trevor Taylor [ph] from Port Macquarie.

Unknown Shareholder

I'll be very brief. My wife and I are great supporters of the bank. And we remember and still remember when other banks were closing branches, and the Bendigo Bank was opening them. The community efforts of your bank are just wonderful. And Mike, you're a great part of that. You're a wonderful operator and a great bloke. And I hope you won't mind if I just make one small thing that can affect us, shareholders, I've written to you before. Wonder if I could offer you a deal, and the deal is this. My wife and I would be

delighted to vote for your remuneration package if, with morning tea at the Annual General Meeting, we could have milk and biscuits for more than half an hour before.

Michael John Hirst
Former MD, CEO & Director

Thank you very much, and we will work hard to do that.

Unknown Attendee

Mr. Robinson, we have another question from Paul Fanning [ph].

Unknown Attendee

Thank you, Tony. And probably this will be through you as the Chair to Mike. In regard to the breakdown, I'm looking at Pages 6, 7 and -- sorry 6, 7 and 8 of the notice of meeting. The remuneration is broken down to a few key parts. One is deferred share grants. What are the hurdle rates for deferred share grants? Or in fact, are there any? Is that merely a voting process? Then if we move on to the next section, which are performance rights grants, we've got quite an elaboration here of the former grants. There's a first sleeve, there's a second sleeve and a third sleeve. The second sleeve is a combined EPS and TSR metric. And the third sleeve is a TSR hurdle on its own. Why do we have 2 rather similar sleeves, which are separated? And what is the rationale behind that? Where has the concept been developed from? I would like it's been developed from some advisers outside of the bank. And going down to bottom of Page 9 under additional information, I note there that the performance rights in the past were not granted. Was that a reason because of the bank's overall performance? I think you indicated probably TSR has a heavy weighting [ph] then. Sorry about the weighty questions.

Antony David Robinson
Independent Director

No, no. Thank you, Paul. So the answer is that we do a lot of consultation on remuneration. Most of it we listen to, but some of it, we don't. And deferred base is a good example of that. What we decided as a board was that Mike's base salary would be broken into 2 parts. Half of it would be paid as cash and half of it would be paid in shares. And it is something that other organizations are starting to look at, but we believe that paying Mike half his base salary in shares absolutely aligns his interests and his attention with those of shareholders. So it is as simple as that. The deferred base is literally half his base salary being paid in shares. And the hurdle for it is that he continues to work through the year where he is qualified. But that is all the hurdles that apply as it should be because it is his base pay.

The answer to the 3 sleeves of preference shares is we've historically just had 2 but we described it slightly differently. So we've always had the long-term incentive program based around relative total shareholder return. And relative total shareholder return is the aggregate of the growth in the share price and the dividends that individuals receive over the testing period relative to the same measure against a pool of other companies, the comparator group. And the belief was that, that amount should halve if earnings per share didn't grow in the particular year over the preceding year. A very simple measure so that if earnings per share wasn't growing, then the LTI entitlement, the long-term incentive entitlement halved. And again, I think shareholders would think that was a very sensible approach if the earnings per share, which is a key driver of dividends for shareholders, wasn't growing, why would the entitlement or the potential be the same while under our program if the earnings per share doesn't grow that potential halves. So historically, that's how we've described it as one pool, but it halves if the earnings per share measure fails. This year, we're describing it as 2 separate blocks, one where the earnings per share hurdle is coupled with total relative shareholder return and the other part where it is just total shareholder return.

Our concern is that total shareholder return isn't delivering -- it's a costly -- it's potentially a costly expense for shareholders for modest return. The idea of long-term incentives is to get people who are recipients of the long-term incentive program to think like shareholders or to be focused on the shareholder outcomes. And the problem with total -- the relative total shareholder return is there are parts of it that are completely outside the control of management. And that's obviously the performance

of other businesses. So in our case, we're -- obviously the capital that we required is set by regulators so that we can be doing a great job in driving profit, but the regulator can insist that more capital's required. We need to issue more shares to raise that. So earnings per share falls and that means that us, competing against companies on a relative basis, we don't have that same regulatory in position -- is outside our control and handicaps us. So that's a simple illustration of where total relative shareholder return can feel out of the control of management. And what we're concerned about is that it therefore isn't influencing behavior, it becomes a lottery at the end of the vesting period, either they've performed well and they get it or they don't. But they're not thinking of it through that period of vesting therefore, it's not influencing behavior through that period. So what we've said is one of the key measures, we believe, for success of this business is building our customer advocacy and, therefore, let's have a portion of the long-term incentive also tied to that, and that's how we've ended up with the 3 sleeves. And lastly on the answer on the grant of the last lot of long-term incentive. It wasn't granted because it didn't meet the hurdle, and the hurdle was that total -- that relative total shareholder return measure I've just talked about.

Are there any other questions?

We're therefore 1 vote away from bringing this to a conclusion. So I will leap into the motion and put that to the meeting. Please complete your vote on item 8 of the agenda by making your -- by marking your voting card. And while you're doing that, I'll thank you and hand you back to the Chairman. Thank you very much.

[Voting]

Robert Niven Johanson

Former Independent Chairman of the Board

Thanks, Tony. So that's the end of the business of the meeting. Thank you all again very much for coming and for your continued interest in the organization. Please make sure you have completed your voting cards. Put your signature at the bottom of the voting card. And as you leave the theater, put them in the ballot boxes held by the staff at the exits. The counting of the votes might take a little time, so I'll formally close the meeting now, and we'll announce the results of the poll through the ASX announcements platform as soon as they count it. Thank you again very much for coming. Please join us outside for some refreshments. Thank you. Good morning -- good afternoon.