



## **CHAIRMAN'S SPEECH**

### **Annual General Meeting**

**19 October 2016**

Good afternoon & welcome to this AGM. It is my honour to again have the opportunity to report to the Heritage Bank AGM about the year that we have had, and also to look forward to what lies ahead of us.

As you know, Heritage is Australia's largest customer-owned bank. From humble origins here in Toowoomba in 1875, we've grown to now have 61 branches across southern Queensland, offices in Brisbane, Sydney, Melbourne, Adelaide and Perth, assets of approximately \$8.5 Billion and around 800 staff.

With our head office in Toowoomba, and staying in Toowoomba, Heritage is an organization to be proud of.

What we are particularly proud of is that we have maintained our customer-owned status throughout our 141 year history. And it is this customer-owned status that sets us apart from the big banks and even many of the regional banks.

Our mutual structure, and the way this focuses our attention on delivering value for our customers, makes Heritage a very attractive alternative for any banking customer.

Our mutual value proposition is demonstrated in many ways, especially in a financial way.

According to independent research analysts CANSTAR, banking with Heritage, instead of one of the big four, saved our customers \$50 million in 2015-2016.

That's the benefit they received through the better rates and fees that we offer, on both loans and deposits.

Financial returns are one measure of success; another is how well we satisfy our customers' needs.

I'm pleased to say that Heritage continues to perform strongly in that area as well, as shown by the following list of awards in the last year:

- The highest Roy Morgan customer satisfaction score across all Queensland financial institutions of 94.3% as at 30 June
- A customer advocacy score of 38.4 – one of the highest in Queensland and well above the average of the big banks at 6.6
- The Canstar Blue most satisfied customer award in the Challenger Bank sector for 2016
- The Australian Business Awards Employer of Choice – for the sixth year in a row!
- The Mozo People's Choice Award for Customer Satisfaction
- The Advisor's Rising Star Award and...
- The AFR Smart Investor Blue Ribbon Award for Regional Bank of the Year 2016.

These awards are a tribute to the experienced leadership of our CEO and his executive team, and the manner in which all our staff have responded to that guidance.

So, we can feel justifiably proud of our commitment to delivering great value for our customers and the communities in which they live and work. Delivering great value for our customers also means maintaining our overall financial strength. Our results for 2015-2016 show a strong and stable performance with an increased profit, increased retail deposits, and steady lending volumes. Our CEO will detail these figures shortly, but I am proud to be able to say that Heritage continues to maintain an excellent financial position, as evidenced by both Moody's and Fitch rating agencies confirming our unchanged ratings this year.

However, while Heritage has a proud history and a long tradition of strength, we cannot rely on our past record to guarantee continued success in the ever-changing banking landscape.

The Board is fully supportive of the revised corporate strategy which was adopted in early 2016 to guide our ongoing operations and directions.

The strategy places customers and staff squarely at the centre of everything we do. It acknowledges our need to attract and grow new customers in all age brackets.

But at the same time, it commits us to deepening our relationship with existing customers, who have helped build us into the bank we are today.

And it clearly sets out a mandate to modernise the way we operate, simplify our processes, and become easier to do business with.

The mobile device has rapidly become the channel of choice for many of our customers in carrying out their everyday banking transactions. Similarly, the power of digital technology is also helping reshape back-office processing operations, making them quicker and more automated. We have to ensure that Heritage keeps pace with those changes. The arrival of the digital age has opened up greater scope for us to grow in all markets across Australia.

Obviously, a most significant change made during the year was the retirement in November 2015 of the CEO Mr John Minz. The position attracted many outstanding internal and external applicants, and the Board was very pleased to appoint Mr Peter Lock to the position.

Peter brings 30 years of banking experience at the highest levels to the role, with a broad base of knowledge gained across several major and regional institutions. His energy and passion for the future, combined with a respect for the traditions and mutual culture of our bank, will be ideally suited and vital for our continued success.

So I again take this opportunity to congratulate and thank our staff members who really do embrace the People First spirit of Heritage

and go above and beyond in their efforts to support our customers. And I would also acknowledge the contribution and leadership of my Board colleagues. It is an honour to be Chairman of this Bank. But my main thanks goes to our loyal customers, both past and present, who have helped make Heritage such an iconic organization.

We all look forward to continuing success in the future.

Kerry Betros

Chairman of Directors