

Annual Report 2018

Homebush Financial Services
Limited

ABN 55 097 923 807

Homebush **Community Bank**[®] Branch

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Chairman's report

For year ending 30 June 2018

Fellow Shareholders,

I am Geoff Harper, a Director of your Company and I took over Chairship of your Company from Ian Albertson in August 2018 after the closing of the 2018 Financial Year.

In writing this Report to Shareholders for the Financial Year closing on the 30th June 2018, I am including the period of Ian's leadership of your Company.

2018 was a year when we were able to consolidate the work done in the prior year and I am pleased to report another positive trading result. The Company posted a profit of \$129,657 before tax (\$93,676 after tax). This is a solid result and reflective of the work of the Branch staff lead by Belinda English and the Board with the support of Bendigo Community Bank and Bendigo Bank staff. A real team effort.

As testimony to the result, I can advise that we traded profitably every month, bar one throughout the year and importantly cash at bank grew from \$20,701 at the end of June 2017 to \$149,583 by 30th June 2018. This latter factor alone identifies the business performance.

While in 2016/17 we were able to grow the Company asset base to deliver consistent monthly positive trading results. In 2017/18 we were not able to capitalize on this with the total assets deployed reducing 7.5%. There are a number of reasons for this result, some in our control and others not:

1. Changes in the bank lending environment and approach by Bendigo Bank. This was not confined to Bendigo Bank, but it did impact the Company's lending, acceptance and approval criteria.
2. The consumer home lending market, which is the staple of the Company's lending activity slowed in the year.
3. The Company was not able to realign its business activities to take advantage of other market opportunities as home lending slowed and underwriting criteria became more stringent.

This latter journey required a much more collaborative and closer working relationship with Bendigo Bank. While we have now taken the steps to achieve this improved collaboration we have some work to do and I expect the first half of 2018/19 to be relatively flat.

The flat outlook for the first half of 2018/19 is further impacted by Branch staff changes since the end of the financial year. Belinda English, our Branch Manager who kick-started the business growth, left the Company on 21 August 2018 and Claudia Lucchitti, our ever reliable Customer Relationship Officer left in July 2018 for a promotion and joined another community bank.

In addressing these gaps, we have been lucky to have Vicky Savelle join us in August 2018 as the Branch Operations Manager. Vicky has experience in Credit Unions and small banks and after a period of induction will be a major business asset. We are presently working closely

with Bendigo Bank on a business model that may result in the appointment of a dedicated business development resource. I should be able to report on this in more detail at the AGM.

We are also keen in the coming year to undertake some refurbishment work on the Branch in Rochester Street making the face to face banking experience for our customers and staff more pleasant.

As commented earlier, our focus in the first half of 2018/19 will be to fill our resource roster, deliver quality customer service with a modest trading profit anticipated.

While bringing on board new staff we are also focusing on building the Board capabilities. The departure of our long serving Directors Ian Albertson and Allan Petersen who stepped up in the past years when the Company had a number of issues to address and latterly contributed both their time and leadership will be difficult to replace.

Again, my aim at the AGM is to present two new experienced Directors who can contribute to this new environment of banking and lending post the Banking Royal Commission that we are destined to experience. While Bendigo Bank was referenced in the Banking Royal Commission, its positive customer focus over the recent years places it in a strong position to continue to grow and carve out a niche both directly and through its community bank model.

Our Branch Team in 2018/19 remains the front line of Homebush Community Bank Branch's service to the local community. I thank **Belinda English, Claudia Lucchitti, Radwa Mitra and Hemant Sarswat** for their dedication and friendly service in 2017/18 from all of us who rely on the Branch for our day to day banking needs.

Marlene Doran OAM as Ambassador for Homebush Community Bank continues to support your Company with input on the direction and commitment through the Community Engagement steering committee

We are a Community Bank established by the local community for the local community. The support of our Community is a primary focus of your Company and throughout 2017/18 we continued to support a range of community events through the Bendigo Bank Market and Development Fund which is used to provide donations and sponsorships for identified and worthwhile events and activities. The positive for your Company is that in establishing a sustainable trading profit, the opportunity exists to expand its community involvement. One of the goals of your Board in the coming year is to establish a more strategic community focus which will be demonstrated through your Company being identified with a major community event.

In the past year we continued our broad community support which included local primary schools – Homebush West, Strathfield South, St Martha's, local community service groups local community radio, Strathfield Rotary, Homicide Victims Support Group and other specific service groups and events.

Homebush Financial Services Ltd's relationship with Bendigo Bank is cornerstone to your Company. **Denice Kelly** our Regional Manager continued her support throughout 2017/18

which has been no more evident than in the period post the resignation of our Branch Manager when support from Bendigo Bank was very important in the continuing delivery of quality customer service. **David Chamberlain** our Regional Community Manager, while new to our team has quickly stepped up as a great supporter. **Wayne Simpson**, State Community Manager who joined the HFSL board last year has been a great addition to the Board and a major ally of the Company.

In addition to Wayne we continue to be fortunate to have the services of outstanding Directors who are prepared to serve on the Board in a voluntary capacity. We thank **Alice Mantel, David Chenu** and **Nella Hall** your continuing Directors for your contributions together with Phillip Parisis who is not standing for re-election. In a small business such as ours, all involved in the business have important roles to play in delivering the results achieved.

In closing, I will make a further comment on efforts and contribution of **Allan Petersen** and **Ian Albertson** over many years and through some difficult prior times. To both these gentlemen, I thank you.

The Company Board is committed to being successful by helping customers, families and businesses achieve their financial goals. We are on course to achieving a quality team working cohesively to deliver the right result and with this in place I look forward to reporting another solid trading result in 2018/19.

Thank you for your attention.

Geoff Harper
Chair

Bendigo & Adelaide Bank report

For year ending 30 June 2018

Bendigo and Adelaide Bank delivers strong FY results – poised for customer growth

- **After tax statutory profit:** \$434.5 million, up 1.1 percent¹
- **Underlying cash earnings:** \$445.1 million, up 6.4 percent¹
- **Cash earnings per share:** 92.1 cents, up 3.6 cents¹
- **Fully franked final dividend:** 35 cents per share, up 1 cent²

Bendigo and Adelaide Bank, Australia's fifth largest retail bank, announced today an after tax statutory profit of \$434.5 million for the 12 months ending 30 June 2018. Underlying cash earnings were \$445.1m, a 6.4 percent increase¹.

The Bank has announced a fully franked final dividend of 35 cents² per share, up 1 cent on the prior corresponding period.

Managing Director Marnie Baker said the results demonstrate the long-held commitment to customers which has led to independent recognition as Australia's most trusted bank. The results set a strong foundation for the Bank's refreshed vision to be Australia's bank of choice.

Strong full year performance in competitive environment

"While all lending markets remain highly competitive, particularly lending to owner occupiers, we have seen solid earnings growth across the Local (6.4%) and Partner (21.8%) segments. "Margin performance was strong, up 14 basis points for the financial year, with a margin of 2.36 percent, driven in part by a disciplined approach to asset and liability pricing."

Funding position leads the industry, capital remains strong

"We continue to consistently lead the industry with a strong funding position, which provides flexibility to fund organic and inorganic asset growth. With 80.2 percent of funding sourced from Retail customers, this further indicates the strength of our business in an environment where volatility and disruption will continue.

"Our current capital position continues to be a highlight, with Common Equity Tier 1 Capital growing 35 basis points since June 2017. This means we continue to be extremely well-placed to meet APRA's unquestionably strong capital benchmarks. Our organic capital growth reflects strong profitability, stable balance sheet and a move to lower risk exposures. Along with the rest of the industry, and following the consultation process, we await APRA's release of the updated credit risk capital proposals given the significant changes proposed. We are, however, satisfied with the progress we continue to make towards Advanced Accreditation for both interest rate risk in the banking book and credit risk."

Delivering effective innovation; balancing cost, compliance and regulation

"Despite the second half being influenced by negative income growth, our continued focus on prudent cost management in a challenging environment has seen our cost to income

ratio continue to decrease to 55.6 percent for the financial year. Looking forward, we don't anticipate a material change in our cost to income ratio, as we focus on accelerating revenue growth.

"We've delivered to expectation on compliance and regulatory commitments, and our strategy and results show we have innovated where we need and want to. For example, in the last financial year, we successfully transitioned our Technology and Change division to an agile work practice, which enables us to deliver with more efficiency and better understand customer needs, ultimately providing even better service."

Industry leading reputation backed by unique strategy, unique culture.

"No bank is immune from the heightened attention surrounding the Royal Commission and other inquiries, but this also presents a strong opportunity. Our strategy, combined with our passionate culture and innovative mindset, drives the highest trust and advocacy in the industry. "Our recent accolade as Australia's most trusted bank – and third most trusted brand – in the Roy Morgan Net Trust Score is one of many metrics that indicates our strategy resonates with our 1.6 million customers.

"At a time when community standards in banking have never been more important, the **Community Bank**[®] model is delivering significant social and economic benefits for Australian communities. More than \$200 million has been returned to local communities in 20 years – about \$17 million this year – and we're proud to enable Australians and their communities to take greater control of their financial future by investing in themselves to create prosperous and sustainable lives.

"We continue to invest in our people, and we have a responsibility to ensure they continue to upskill and evolve, building capability and resilience to navigate the future financial services industry. Our employees drive our customers' success, and these investments will invariably underpin our organisation's success into the future."

Strategic outlook positions Bank for future success

"The time for our Bank is now. Our strategy is to focus on the success of our customers, people, partners and communities to be Australia's bank of choice. Our history of delivering and innovating, and the uniquely nimble composition of our business, will ensure shared success through our strategic partnering mindset.

"Our proposition is strong; our customer focus, high trust ratings and customer advocacy, provide a great platform for business growth. "And our purpose drives prosperity for all stakeholders. It's proven that those organisations who demonstrate they deliver on their stated purpose, vision and values are more likely to succeed. We know this is true because we've been living it for our 160 years in business.

"The environment is right for us to succeed and our business is poised to take advantage of opportunities ahead," said Ms Baker.

Directors' report

For year ending 30 June 2018

Your directors submit the financial statements of the company for the financial year ended 30 June 2018.

Directors

The names and details of the company's directors who held office during or since the end of the financial year:

Geoffrey John Harper

Chairman

Occupation: Director

Qualifications, experience and expertise: Director Debt Sales Brokers Australia and New Zealand 2015- present, FreshWater Business Consulting directors 2013-present, Baycorp Holdings Pty Ltd Managing director 2006-2013, Portfolio management group CEO 2000-2006 and Heller Financial Services managing director 1984-2000.

Special responsibilities: Human Resources Committee

Interest in shares: Nil

Alice Christina Mantel

Secretary

Occupation: Solicitor

Qualifications, experience and expertise: Alice brings over 25 years broad experience as a lawyer to the board, having worked in the government, private and non-private sectors. As a government lawyer she practised in the criminal and civil jurisdictions. She also worked in a number of regulatory organisations including ASIC and APRA. For the last 8 years, Alice has managed her own legal practice servicing diverse and disadvantaged clients, which has developed her understanding of the difficulties faced by every small business. Living locally, Alice is currently a Community member of the Yaralla Estate Committee.

Special responsibilities: Community Engagement and Human Resources Committee

Interest in shares: Nil

Nella Hall

Director

Occupation: Paralegal/Manager

Qualifications, experience and expertise: Nella is a Justice of Peace and holds a Bachelor of Commerce from Deakin University (Vic). Nella has experience in Accounting, Insolvency and law, working as a Paralegal in a local law firm. Nella was joint Strathfield Citizen of the year in 2017. She is a Director of the local community radio station 2RDJ FM and the current Deputy Mayor of Strathfield Council. Nella's passion is serving her community, which is why she has clocked over 2000 hours

of community work and is involved in a number of not for profit organisations.

Special responsibilities: Nil

Interest in shares: Nil

Directors (continued)

Wayne Joseph Simpson

Occupation: Senior Manager (Bendigo Bank)

Special responsibilities: Nil

Interest in shares: Nil

Director (*Appointed 24 October 2017*)

Qualifications, experience and expertise: MAICD with over 30 years experience in financial industry last 14 years with Bendigo Bank. Roles covered Retail Regional & State Management, Chief Operating Officer Delphi Bank and a number of National roles. Commercial experience as owner operator of small consulting business & wholesale/retail bakery & General Manager of IT R&D software & hardware company. Past not-for-profit & community bank secretaries.

Other directorships: Dancoor Community Finances Limited (*Resigned 27 June 2014*)

David Chenu

Occupation: Marketing Consultant

Director (*Appointed 24 October 2017*)

Qualifications, experience and expertise: David is a Non-Executive Director and Strategic Management Consultant with over twenty years of marketing management and board level experience across the public and commercial sectors with particular experience in the food, health, wellbeing, primary production and FMCG industries. At board level he is a non-executive director with several NFP companies and a member of several Board promotional subcommittees in the agri food sector. In an executive capacity he has developed marketing and brand strategies for such companies as Horticulture Innovation Australia, Sanitarium Health & Wellbeing, Central Markets, MacKay Bananas, ASCA, TCC Global and Aldi retail stores. Prior to this he was the General Marketing Manager for Horticulture Australia. David has a Bachelor of Arts, majoring in Economics, has completed the Mount Eliza Business School Produce Executive Program and is a Graduate of the Australian Institute of Company Directors. David started his career in food, working as a chef at the renowned restaurant Berowra Waters Inn with Tony and Gay Bilson. He is currently director of a strategic marketing and executive coaching consultancy - David Chenu & Associates.

Special responsibilities: Marketing Committee

Interest in shares: Nil

Philippos Parisi

Director (*Appointed 25 July 2017 and Resigned 15 August 2018*)

Special responsibilities: Nil

Interest in shares: Nil

Ian Stanley Albertson

Occupation: Teacher

Qualifications, experience and expertise: Ian is currently a music teacher at Homebush Boys High School. Previously music co-ordinator St Patrick's College, Strathfield; Choirmaster Sydney Church of England Grammar School (Shore); Senior Boarding Master, Kooralbyn International School, Qld. Ian has been on the HFSL Board since March 2014. President

Directors (continued)

Rotary Club of Strathfield 1997-98. Trustee Strathfield Libraries and Museum Foundation. MC at several local events organised by Strathfield Council (Carols by Candlelight, Spring Fair, Australia Day, Mayoral Dinner, Exo Art Exhibition). B.A. Grad. Dip. Ed, M. Ed. Admin, M. Mus. Tech.

Special responsibilities: Chairman, Community Engagement Committee

Interest in shares: 1,000

Chairman (*Resigned 8 July 2018*)

Allan Frederick Petersen

Occupation: Retired Primary School Principal

Director (*Resigned 8 July 2018*)

Qualifications, experience and expertise: Allan's experience and expertise include NSW State Government Primary School Teaching and Administration, retail experience with David Jones Ltd Sydney selling/stocktaking/staff development, Rotary International Membership since 1996 with two Clubs and significant administrative roles, lifetime membership of the Anglican Church Australia, Assistant experience of Meals on Wheels Distribution and Committee Executive Membership, tutor on non-English Adult speakers, holds a Teachers' Certificate, Bachelor of Education and Master of Education, holds Graduate Diplomas in Curriculum Studies and Educational Administration.

Special responsibilities: Chair of Community Engagement Committee

Interest in shares: Nil

Peter Campbell Pengilley

Occupation: Company Director

Treasurer (*Resigned 28 November 2017*)

Qualifications, experience and expertise: Peter's original profession was a mechanical engineer and naval architect. After gaining an MBA from Macquarie University majoring in investment and financial analysis, he moved into the world of capital markets and merchant banking for the next 17 years. Initially Peter joined Peko Wallsend Ltd and then took on roles with CIBC Australia Ltd, Capel Court Investment Bank/ANZ Bank, HSBC Australia and Wadley James Capel. Other roles include re-establishing the Westpac international capital markets department and later moving to Citigroup as Vice President for Corporate Finance and then Barrington Corporate Finance. Peter then established Investment Dynamics Pty Ltd advising companies and banks on corporate finance, debt capital market, IPO's and restructuring in the industrial, agricultural and property sectors. He is currently involved in companies in the financial services, commercial and industrial property sectors. Peter is a fellow of the Finance and Treasurers Associate and MRINA, a Member of the Australian Institute of Company Directors. Peter's community activities include a Justice of the Peace (NSW), councillor for Ku-ring-gai Little Athletics Association and an Honorary Treasurer NSW Rod Fishers Society.

Special responsibilities: Treasury and Risk Committee

Interest in shares: Nil

Directors (continued)

Ross Lindsay Dickson

Occupation: Company Secretary

Secretary (*Resigned 28 November 2017*)

Qualifications, experience and expertise: Ross is currently Company secretary for the Forestry Corporation of NSW. He worked in the forestry industry for over 20 years. He is Chairman of the New Zealand Radiata Pine Breeding Company. He has experience in agricultural and forestry research and development and for the last 12 years has been a member of the senior executive team of the Forestry Corporation. Ross joined the Homebush board in 2014 as an Independent director and Company Secretary. He recently completed studies in corporate governance.

Special responsibilities: Human Resources Committee

Interest in shares: Nil

Other Current Directorships: Radiata Pine Breeding Company

Christopher George Pursehouse

Occupation: Bank Officer

Director (*Resigned 22 August 2017*)

Qualifications, experience and expertise: Christopher (Chris) is currently employed by Bendigo & Adelaide Bank Limited as a State Community Strengthening Manager for NSW & ACT. Chris has a long employment history in Banking & Finance in particular in commercial lending and holds a Post Graduate Diploma in Banking Management. Chris brings a strong skill set in relationship building & management and sales. Chris has had strong involvement in numerous sporting clubs and has held several treasurer and committee member positions over the past 3 decades.

Special responsibilities: Nil

Interest in shares: Nil

Directors were in office for this entire year unless otherwise stated.

No directors have material interests in contracts or proposed contracts with the company.

Company Secretary

The company secretary is Alice Mantel. Alice was appointed to the position of secretary on 28 November 2017 following the resignation of Ross Dickson.

Alice brings over 25 years broad experience as a lawyer to the board, having worked in the government, private and non-profit sectors. As a government lawyer she practised in the criminal and civil jurisdictions. She also worked in a number of regulatory organisations including ASIC and APRA. For the last 8 years, Alice has managed her own legal practice servicing diverse and disadvantaged clients, which has developed her understanding of the difficulties faced by every small business. Living locally, Alice is involved in community activities in the Concord - Strathfield areas. Community member, Yaralla Estate Committee.

Principal Activities

The principal activities of the company during the financial year were facilitating **Community Bank®** services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

There have been no significant changes in the nature of these activities during the year.

Operating results

Operations have continued to perform in line with expectations. The profit of the company for the financial year after provision for income tax was:

Year ended	Year ended
30 June 2018	30 June 2017
\$ 93,676	\$ 13,944

Dividends

No dividends were declared or paid for the previous year and the directors recommend that no dividend be paid for the current year.

Significant changes in the state of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report or the financial statements.