

Heritage Bank

CHAIRMAN'S SPEECH – KERRY BETROS ANNUAL GENERAL MEETING

13 OCTOBER 2022

Good afternoon and welcome to the Heritage Bank AGM for 2022.

I would like to begin by acknowledging the Giabal and Jarowair people, the Traditional Custodians of the land that we're meeting on today, and pay my respect to elders past, present and emerging.

It is my honour on behalf of the Board to again have the opportunity to report to members on the achievements of Heritage Bank this past financial year, and on what lies ahead for us.

I'm pleased to say we delivered another strong set of financial results for our members in 2021/22.

Our CEO Peter Lock will go through them in more detail soon, so I won't dwell on them too long.

But given the circumstances we faced, I'm extremely proud of the results we produced and the way we supported our members.

A quick look at our key metrics tells the story.

Our loan approvals hit record levels, while our member numbers, retail deposits and total consolidated assets all grew during the year.

That's a commendable result in a year in which COVID continued to make its presence felt.

The impacts of COVID continued to echo throughout for the entire financial year, but having said that, we are now finally reaching the point as a country where we are learning to co-exist with COVID and return to a more normal way of life.

However, we are now having to cope with a totally different set of disruptions and challenges. We're dealing with the effects of rapidly rising inflation, increasing interest rates, supply chain shortages, and cost of living pressures.

Those impacts have been exacerbated by unexpected geopolitical issues, such as the war in the Ukraine.

All those factors have placed the country in a far different and more challenging situation than we were expecting, even as little as 6 months ago.

Despite all that, I remain very optimistic about the future of Heritage Bank, about the resilience and strength of our member base, and about the passion and commitment of our employees.

Of course, a key reason for that optimism is because of the progress we have made on our proposed merger with People's Choice Credit Union from South Australia.

We announced in August 2021, that we were investigating a proposed merger with People's Choice.

Since then, we have completed due diligence on the proposal, and our Board has endorsed us moving forward with the merger plans.

We have now received all the regulatory approvals needed and have moved forward to the final step in the approval process, the member vote.

That vote will take place at a General Meeting of members in Toowoomba on Wednesday, 16 November.

This afternoon, we start distributing communications giving members access to a Member Information Booklet that contains comprehensive details about the merger, why it's the right thing for Heritage's members, and what the voting process involves.

Within the next 5 days Members will receive either an email or letter providing access to the relevant materials and instructing eligible members how to vote.

In accordance with the Heritage Constitution, to vote eligible members will be able to either appoint a "proxy" in advance of the General Meeting, to vote at the meeting on the members behalf, or attend the General meeting and vote in person.

If a member wishes to appoint a proxy ahead of the General Meeting they can do so either online or by returning a personalised paper proxy form sent to them.

Heritage's Constitution prescribes that only Heritage members aged 18 years or over on the date of the General Meeting who have held at least \$100 on deposit with Heritage continuously for three months prior to the date of the General Meeting will be eligible to vote.

We're pleased to have reached this point and to be so close to what would be an historic decision for Heritage.

We are absolutely sure that this merger is in the best interests of members and is essential in securing a stronger future for Heritage.

Coming together will give us the added strength needed to ensure we offer a compelling alternative to the big banks, and to keep providing our members with the excellent products, service, and pricing they value so much.

If the merger proceeds, Heritage members will benefit from the creation of one of Australia's largest member-owned banking organisations, with approximately 720,000 members and \$23 billion in combined total consolidated assets.

That increased size and scale is critical in today's banking environment.

It would create a positive new force in the Australian banking sector, a new national mutual organisation that can be a stronger alternative to the big banks.

So why choose to merge with People's Choice? It's simple – there is no better merger partner for us than People's Choice.

They share the same values and philosophy, and an absolute commitment to the interests of members and their communities.

People's Choice is South Australia's largest independent banking organisation with a history that goes back to 1949.

Just like Heritage, People's Choice is a customer-owned institution. That means we're both very different to the big banks that are listed on the stock exchange and pay dividends to shareholders.

Instead, we are both owned by our members, and exist to serve their interests.

Just like us, People's Choice share a commitment to giving back to the community. Approximately 5% of People's Choice's profit goes back to funding community programs. The company's flagship community initiative is the People's Choice Community Lottery which has returned more than \$21 million back to community groups since it started in 1984.

We would look to expand that initiative in future.

In fact, as a merged entity, we would contribute a minimum of \$50 million in community, charitable and environmental initiatives in our first 5 years.

This would be a true merger of equals.

People's Choice are approximately the same size as Heritage in terms of members, employees, and assets, so this is a perfect example of two equals joining forces to become stronger.

Even better, their branch footprint complements ours, with no overlap. They have branches in South Australia, Victoria, and the Northern Territory, while we have branches in Queensland and New South Wales.

So, our members will have access to more branches, in five states.

By combining the best of Heritage and People's Choice we'll keep our individual strengths and what makes us unique, while using the power of having a larger membership to improve benefits for members.

We won't close branches and employees won't be losing jobs as a result of the merger.

Our members will still be served by the same friendly staff they are used to dealing with, with the same people-first approach.

We'll maintain a head office here in Toowoomba, as well as one in Adelaide.

We are extremely proud of our history in Toowoomba and remain committed to being a strong and continuing contributor to the community here.

Both organisations are also fiercely committed to delivering exceptional customer service and member value.

That will not change.

We believe that the proposed merger represents the start of a promising new chapter for Heritage, and an exciting and historic opportunity for us to lead the expansion of a better way of doing banking in Australia.

I'm optimistic that we will receive a positive vote from our members on 16 November. If that happens, we plan to come together as a single organisation from 1 March next year.

It's an exciting prospect for us, for our members, and our staff.

Now, we had to do a lot of planning work for the proposed merger in the 2021/22 year, but that's not all we had on our plate.

I'm extremely proud that the merger planning did not divert our focus from our core business, which is helping our members with their financial needs.

The strength of our financial results speaks volumes about the quality of the customer service we provide to our members.

I do want to highlight a number of other significant achievements in 2021/22.

We were very pleased that we were able to resume our interstate branch expansion program during the year.

We opened two new branches in New South Wales in late 2021—one at Macquarie Park in Sydney and one at Tweed Heads.

That came after we opened two branches in Sydney in 2019, only to see our expansions plans temporarily halted by the COVID.

Our ongoing plans to open more branches stands in stark contrast to what's happening with the big banks, who continue to close branches at a rapid rate.

In fact, since the start of 2020, the big banks have collectively closed more than 500 branches around the country, including in a number rural and regional areas where there aren't too many other options.

That's a quite staggering number.

Closing branches means the big banks are turning their backs on the many customers who want that face-to-face service, and driving them to digital channels, like it or not.

Of course, it's undeniable that digital transactions are booming, and more and more people are choosing to do their everyday banking online or via an app.

Heritage members made more than 130 million digital transactions in 2021/22, including more than 12 million via digital wallets like ApplePay.

But it shouldn't be one or the other.

We're continuing to invest significant sums in improving our digital banking service and providing a first-class online banking experience.

But we're maintaining a strong branch network, and expanding that into new areas, to respect those members who prefer to do their banking that way.

I'd like to finish by thanking our CEO and Senior Executives, and all our staff, for their efforts throughout the year. I especially thank my Board colleagues for their support and commitment.

In closing, I would like to say how proud we should all be to be part of a Bank that delivers so much to so many people and their communities. It's humbling to know how much people care about what we do and what a difference we make to the lives of so many people.

With a pathway back to a post-COVID life in sight, and with our members to vote on our merger proposal next month, I am excited about our future and look forward to bigger and better things ahead.

Thank you.

Kerry Betros

Chairman of Directors