

ASX RELEASE.

BELL FINANCIAL GROUP

1 May 2014

2014 Annual General Meeting

Please find attached the presentation materials that will be addressed by the Executive Chairman and the Managing Director at Bell Financial Group Limited's Annual General Meeting today in Melbourne.



Cindy-Jane Lee
General Counsel and Company Secretary

ANNUAL GENERAL MEETING

1 May 2014

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ANNUAL GENERAL MEETING

Colin Bell

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ANNUAL GENERAL MEETING

Alastair Provan

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2013 HIGHLIGHTS

- All underlying businesses traded profitably
- Top line revenues grew 17% y.o.y
- Solid growth in the Margin Lending book
- Continued growth in Bell Direct, our online broking business (31% increase in revenue)
- Like for like overheads \$5m down y.o.y
- Balance Sheet remains solid with \$47m NTA, and \$52m cash and cash equivalents

RESULTS SUMMARY FY 2013

	2013	2012	% change
Brokerage Revenue	\$101.3	\$86.6	17%
Equity Capital Markets Revenue	\$24.1	\$18.2	32%
Margin Lending Revenue	\$12.4	\$13.4	-7%
Recurring Fee Revenue (P.A.S & Trail Commissions)	\$15.7	\$13.7	15%
Other	\$5.6	\$4.6	22%
Total Revenue	\$159.1	\$136.5	17%
Profit / (Loss) after tax	\$6.8	(\$3.2)	313%
Full Year Dividend	2.5c	Nil	

CURRENT YEAR

- A challenging start to the year
- First quarter revenue was \$33m, down 18% on the p.c.p
- The Group recorded a \$235k pre-tax (unaudited) profit for the 1st quarter

BUSINESS PRIORITIES

- Revenue Growth
 - Adding to our traditional Broking and Capital Markets business when the right opportunities present
 - Developing and building our complimentary internal businesses
 - P.A.S (\$2b F.U.M, 1,800 clients, \$10m revenue)
 - Bell Potter Capital (\$335m F.U.M, \$12m revenue)
 - Bell Direct (\$3.7b sponsored holdings, 60,000 clients, \$9m revenue)

- Technology and Compliance
 - Investment in FUSION, a proprietary in-house administrative, compliance and business development application
 - We anticipate FUSION will have broader appeal and application across the broking industry with further development

- Managing Costs

ANNUAL GENERAL MEETING

Ordinary Business

BFG reports for year ended 31 December 2013

ANNUAL GENERAL MEETING

Resolution 1 Election of Directors

RESOLUTION 1(a)
ELECTION OF DIRECTORS

Mr Colin Bell

RESOLUTION 1(a)
ELECTION OF DIRECTORS

Mr Colin Bell

FOR: 182,660,074

AGAINST: 104,170

OPEN: 2,118,468

Open in favour of the Chairman: 2,095,768

RESOLUTION 1(b)
ELECTION OF DIRECTORS

Mr Craig Coleman

RESOLUTION 1(b)
ELECTION OF DIRECTORS

Mr Craig Coleman

FOR: 165,252,241

AGAINST: 17,512,003

OPEN: 2,118,468

Open in favour of the Chairman: 2,095,768

RESOLUTION 1(c)
ELECTION OF DIRECTORS

Mr Charlie Aitken

RESOLUTION 1(c)
ELECTION OF DIRECTORS

Mr Charlie Aitken

FOR: 182,405,951

AGAINST: 333,293

OPEN: 2,118,468

Open in favour of the Chairman: 2,095,768

ANNUAL GENERAL MEETING

Resolution 2

Adoption of the Remuneration Report

RESOLUTION 2
REMUNERATION REPORT

Adoption of the Remuneration Report

FOR: 160,977,755

AGAINST: 17,411,221

OPEN: 958,768

ANNUAL GENERAL MEETING

Charlie Aitken

BELL FINANCIAL GROUP LIMITED

www.bellfg.com.au

ACN 083 194 763

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2014 AGM Executive Chairman's address

I can report that we are in a good position to continue to grow earnings across our operating divisions and that we continue to have a robust balance sheet. We are profitable and well prepared to capitalize on improving market conditions which have been challenging in recent times. Although the markets are well up on a year ago, volumes have been poor.

We've been busy setting the firm for growth when markets improve. This is not some new idea. We are always on the lookout for ways to improve our business model. We strive to have the most compelling business proposition.

Net profit after tax for the year was \$6.8 million, up from the previous year's loss of \$3.2 million. All our business units, with one exception, generated higher revenue in 2013 than in 2012. As a result we were able to declare a final dividend of 1.5 cents a share, taking the full-year payout to 2.5 cents a share.

As one of Australia's largest full service stockbroking firms, we've been very proactive in finding ways to deliver the best service to our clients in an ever changing world. An example of this is our recently announced new research and distribution agreement with Citi, which, we believe, has the potential to make a big difference to Bell Potter.

The Citi deal speaks to the future, because it provides our retail and sophisticated clients with access to Citi's highly ranked global research platform and securities products. Over time we also expect to be able to extend some of Citi's core banking services to our clients. For Citi, the agreement will allow them to support their corporate clients more effectively by distributing equity market offerings to our 160,000 active clients. It's a deal that's truly complementary to both organizations.

And it's not just the Citi deal that's transforming the business. Our online broking business, Bell Direct, is another example of how we are shaping the future. We built Bell Direct from scratch in 2007. Last year, this award-winning platform, for the first time, posted a modest pre-tax profit. Excluding the major banks, Bell Direct is now the biggest player in the online broking space, and now that we are break even, the operational leverage is significant and, ultimately, highly profitable. The technology is scalable and is proving to be a compelling proposition for both retail investors and large intermediaries, who are using the platform as a white label product, including Macquarie Bank and HSBC Australia.

Indeed, from an operational point of view, we have great leverage to better markets and improving revenues. Fifty percent of our marginal revenues drop to the pre-tax bottom line after we cover costs. That's because we have a high conversion rate of earnings to free cash flow.

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So, in short, we will continue to look for ways to grow our business while preserving the strength of our balance sheet, and we will continue to look for ways to improve our range of services while ensuring we continue to be a fully compliant market participant. We have a unique and powerful offering: Bell Potter is the only Australian-owned independent business with a full service offering to institutional clients, corporate clients and retail investors.

Bell Financial Group has always sought to provide a good company culture, and as I've often remarked, the share broking industry is a people business. We also strive to provide a simple and transparent remuneration structure. These are some of the key reasons why we have managed to retain our staff and why we attract new people.

We are in an excellent position to continue to grow the business and help our clients increase their wealth. In getting this right, everyone, including our shareholders, stands to benefit.

On behalf of the Board, I would like to thank all our staff and our shareholders for their contribution and support. Our Managing Director Alastair Provan will now present his report and give a breakdown of the 2013 profit.

2014 AGM Managing Director's address

Thank you Colin.

Good morning ladies and gentlemen.

I am pleased to announce the Group recorded a full year after-tax profit of \$6.8 million for the Financial Year 2013. A significant improvement on the \$3.2 million loss in the previous corresponding period.

Overall revenue increased by 17% to \$159 million while overheads were reduced as a result of cost initiatives implemented mid-way through 2012.

Market conditions do however remain challenging and I will talk about that a bit later on.

SLIDE 4

All the Group's underlying business units traded profitably in 2013 reflecting the general but cautious improvement in investor sentiment.

Headline revenue of \$159 million was up 17% on the previous year, and 14% on a like for like basis. (Bell Direct revenues were included for the entire year for 2013 but for only 7 months in 2012.)

Bell Potter Capital, our cash and margin lending business, again performed well. The loan book grew by 17% in a tough market while the cash book remained steady. Average margins were maintained across both books and gearing levels were conservative.

Bell Direct continues to grow steadily particularly in its wholesale and intermediary division, Desktop Broker. Revenues were up 30% year on year and the business broke even for the first time. Bell Direct received a number of market awards over the year including Australia's Top Online Broker in terms of overall customer satisfaction in the latest Investments Trends survey.

Mid-way through 2012 we cut \$5 million in recurring costs from our overhead which was fully reflected in our 2013 result. Our cost base is something we continually monitor to ensure it is appropriate for the prevailing market conditions.

Our Balance Sheet and cash position remains strong. Other than the cash advance facility in Bell Potter Capital the business carries no debt. At Year End we had Net Assets of \$180 million, Net Tangible Assets of \$47 million and cash and cash equivalents of \$52 million.

SLIDE 5

- Brokerage revenue increased by 17% to \$101.3 million, 13% on a like for like basis.
- Retail revenues grew on average by 12%.
- Wholesale revenues grew by 34%.
Our Sydney Institutional desk has developed a market-leading reputation in the small/mid cap Australian equities space, supported by our Hong Kong and London offices.
- The Equity Capital Markets team had a much better year. Revenue was up 32% to \$24 million reflecting a number of significant transactions completed in the second half of the year.
- The Margin Lending business produced revenues of \$12.4 million and while the headline number was less than last year due to lower interest rates, the bottom line was preserved as a result of margins being maintained on a larger book and selective cost cutting.
- Recurring fee income grew by 15% to \$15.7 million. This is income derived from our Portfolio Administration Service and trails on managed products.
- We posted a \$6.8 million full year after-tax profit which enabled us to declare a total fully franked dividend of 2.5 cents per share for the year. The pay-out ratio was higher than normal and reflects our confidence in the business and our strong cash position.

SLIDE 6

Challenging start to the year.

January was unusually quiet across all business units, perhaps something to do with the exceptional summer we had, so from a business perspective it was pretty much a write-off and as a result we have been playing catch-up ever since.

Revenue for the first quarter of 2014 was down 18% on the previous corresponding period to \$33 million, and the Group recorded a modest unaudited pre-tax profit of \$235k for the period.

Going forward we remain optimistic, we have a strong corporate pipeline but as always our business is highly leveraged to investor confidence, market volumes and the capital markets.

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SLIDE 7

Business Priorities

- Revenue Growth

I think our traditional Broking and Capital Markets businesses are fairly well understood. They are simple, transparent and depend very much on the quality of our people, our client relationships, our systems and our scale. We are constantly looking for opportunities to further improve and grow our overall business and have explored a number of potential transactions over the course of the year, none of which have been quite the right fit. We will however continue to investigate all sensible opportunities.

As Colin mentioned, our longstanding Research and Distribution Agreement with UBS expired in February this year and we have entered into a new arrangement with Citi, also research and capital market distribution based, which we are very excited about. We think the fit between our two organisations is good, and will financially benefit both parties.

- We have three internal business units that are probably not as well understood as our core broking business.

- Our Bell Potter Portfolio Administration and Tax Reporting platform has in excess of \$2 billion in funds under administration, 1,800 clients and \$10 million recurring top-line revenues.
- Bell Potter Capital – our cash and margin lending business has \$335 million in funds under administration and \$12 million in top-line revenue.
- Bell Direct, which we believe is the most technologically advanced online end to end broking platform in the market provides online market access to private clients, active traders, financial planners and wholesale dealer groups. It has 60,000 clients, \$3.7 billion in sponsored holdings and \$9 million in revenue. We have just entered into an agreement with the Macquarie Banking & Financial Services Group to provide a white label online broking solution for their customers, similar to our arrangement with HSBC.

These three business units provide high quality services, are profitable on a standalone basis, are scalable and provide real opportunities for future revenue growth. Last year the three units generated combined revenue of \$31 million and while they contributed \$5.6 million to the Group at a pre-tax level, I suspect get little or no recognition in our current share price.

- Technology and Compliance

Technology is critical in modern broking. Over the last 18 months we have invested heavily in an in-house proprietary system which we call FUSION.

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FUSION is a compliance and administrative tool. It is also a system aggregator, a data consolidator and a CRM business development tool which sits on each adviser's desktop and we believe provides a significant competitive advantage. The system is the first of its kind in the market and with further development we anticipate broader appeal and application across the broking industry.

- Costs

As I have already said, we monitor our costs constantly and most importantly are prepared to take whatever steps are required to ensure we have the appropriate structure in place.

Thank you.