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BELL FINANCIAL GROUP

19 April 2017

Market Announcements Office
ASX Limited
20 Bridge Street
Sydney NSW 2000

Via ASX Online

AGM Presentation Materials

We attach a copy of 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.



Cindy-Jane Lee
General Counsel & Company Secretary

BELL FINANCIAL GROUP ANNUAL GENERAL MEETING – 19 APRIL 2017 EXECUTIVE CHAIRMAN'S ADDRESS

2016 was a good year for the Company. All our business divisions achieved a profit for the fourth year in a row. Despite some challenges in the market, we maintained steady growth in terms of both revenue and profitability. We've also managed to keep our fixed costs down, even while we continued to invest in growth and technology.

[SLIDE 4]

Our Net Profit After Tax increased 3% to \$16.4 million in 2016, while our total revenue was 5% higher than in 2015 at \$186.7 million. We declared a final dividend of 5.5 cents a share, fully franked, up 22% from the previous year.

[SLIDE 5]

Although market conditions were more positive for investors than in 2014 and 2015, there were a number of events which unsettled the market during the year.

Initially, there was a slow first quarter marked by significant equity market declines and weak commodity prices. Then, just as markets and trading volumes were recovering, we had the surprise Brexit referendum outcome in June and the US presidential election result in November.

In an ongoing low-growth and low interest rate environment, it was no surprise that investors remained cautious.

But I'm happy to say that the Company did not slip into reverse; in fact, we grew our business at the same time as some of our competitors scaled back their operations. Some even withdrew from the local market.

Overall, we increased Funds Under Advice by 17% year on year which was a good result compared to the broader Australian market average of 7% year on year. The 10% outperformance represented new advisers and new clients.

Our retail business was a standout in 2016. The Full Service Retail Equities division increased revenue for the fifth year in a row, and grew net profit by 61%.

Increases in client accounts, contract note volumes and client holdings have all helped to drive strong revenue and profit growth in Bell Direct. At the same time, rising margin loan and cash balances have enabled Bell Potter Capital to also achieve a good lift in revenues and profits.

Our investment in technology continues to deliver value for clients and put us ahead of our competition. In total the company has 60 employees dedicated to IT systems, programming and development (about half in Bell Direct and half in the Retail Equities division). That initiative has an important bearing on the company's business and also its status as an employer of choice. A highlight is our outstanding adviser desktop platform known as FUSION which we developed in-house. The platform is an online single access point which enables each adviser to log onto all our products and services as well as dealing with compliance and client relationships. Our FUSION platform was a key contributor to the company's continued profitability and good performance in 2016. We think it should also be a fabulous contributor to future growth.

While other firms are reducing their head counts, we have attracted a number of talented people because of our strong culture, excellent technology and a remuneration grid that is the same as it has always been. In this time of uncertainty all our advisers, both old and new, enjoy the stability of the company and our ability to deliver on what we promise.

We have a robust balance sheet supported by a strong cash position and no debt. This is particularly important in the current market environment because it continues to enable us to clear all our ASX business. Current indications are that the popular industry practice of outsourcing clearing to ration capital is now seen to be not so desirable as first thought.

Looking ahead for the rest of this year, we expect our growth to continue. We have quite a few separate revenue streams in the company which represent inherently good businesses that are positioned to increase their contribution to BFG profits in the future.

On behalf of the Board, I'd like to thank our staff and our shareholders for their contribution and support.

I'll now hand over to our Managing Director Alastair Provan to give further details of the performance of our various divisions.

Thank you.

BELL FINANCIAL GROUP ANNUAL GENERAL MEETING – 19 APRIL 2017 MANAGING DIRECTOR'S ADDRESS

2017 AGM MANAGING DIRECTOR'S ADDRESS

Thank you Colin. Good morning ladies and gentlemen.

[SLIDE 6]

The first slide is simply a summary of the year and is largely self-explanatory with many of the points having already been touched on by Colin. I will run through it quickly. Our top line revenue rose by 5% to \$187m producing a 3% bottom line improvement with NPAT of \$16.4m.

We earned 6.2cps, which is the same as last year, however we did issue some shares towards the end of 2015 to increase our ownership in Third Party Platform, which on average resulted in more shares on issue in 2016.

We paid a 5.5cps fully franked dividend over the year, a 22% increase on last year. This represents an 89% payout ratio, which is high, but simply reflects the strength of our Balance Sheet and the confidence we have in the business.

Our share price at the end of the year was 72.5c which puts us on an 11.8 times PER multiple and a 7.6% fully franked dividend yield, which grosses up to 10.8% unfranked. I will talk more about that later.

[SLIDE 7]

For accounting purposes we have two divisions:

- Retail – incorporating Full Service Retail Equities
- Wholesale – incorporating Institutional Equities and Equity Capital Markets.

Our core Retail Equities business was the strongest performer throughout the year. Gross revenue rose by 13% to \$115m, producing a 61% increase in profit before tax to \$13m which again demonstrates the leverage our model has to market activity and increased revenues.

During the course of the year we added 44 new advisers across the network as part of our ongoing programme of controlled growth and adviser succession planning.

Our business is not only about the present but also very clearly focused on the future.

Institutional Equities and Equity Capital Markets had a more challenging year with overall revenues down by 16% to \$34m which did however produce a profit before tax of \$7.2m, a very credible performance in a tough environment.

A number of our corporate transactions did not complete by 31 December. Despite this the team successfully completed 56 transactions over the year and raised in excess of \$1b in new equity capital, which was an outstanding effort.

[SLIDE 8]

Last year I talked about some of our standalone businesses which are growth platforms, are increasingly profitable and for which we get little or no recognition in our share price.

Portfolio Administration Service (PAS)

PAS is our comprehensive wealth management service which incorporates investment advice, trading execution, administration and value-added tax reporting.

The platform continues to grow with more than 2,000 clients holding \$2.8b in sponsored assets.

The platform generated \$13.6m in gross revenue, up 12% on the previous year and \$4.9m in profit before tax, a 17% improvement on last year.

Bell Potter Capital (BPC)

BPC, the only non-bank margin lender in the Australian market, is a wholly owned subsidiary of Bell Financial Group.

In the 10 years since we started the business BPC has been consistently profitable and 2016 was no exception.

Average loan balances rose by 16% while cash holdings grew by 31%.

Net revenue of \$7.8m was 20% up on the previous year and profit before tax increased by 59% to \$2.1m.

Third Party Platform (TPP)

TPP our proprietary online broking platform provides market access to retail and wholesale customers via its two brands, Bell Direct for retail, and Desktop Broker for wholesale clients and financial planners.

Through these two proprietary platforms TPP has produced five years of uninterrupted growth.

In addition, TPP provides White Label platform solutions for HSBC and Macquarie Online Broking.

TPP holds \$110m in client cash and \$11b in sponsored assets. Gross revenue grew by 23% to \$12.4m and profit before tax by 67% to \$2m.

Combined Revenue

Over the course of the year these three business units generated combined gross revenues of \$34m and delivered profit before tax of \$9m.

We anticipate these platforms will continue to make significant contributions to the overall profitability of the Group.

[SLIDE 9]

Investment

As I have said before we believe our ongoing investment in technology is critical for our continued success in an increasingly competitive market environment.

In 2016 our development team added several enhancements and new features to our existing systems. The cost of this ongoing investment is significant but is far outweighed by the benefits it delivers to our advisers and clients and the market advantage that we believe we achieve over our competitors.

New Platform

TPP created a new price discovery, research and order management platform for our private client advisers. The technology uses the existing Bell Direct platform and incorporates additional features such as real time streaming prices, charting, research, news, and order management capability.

FUSION

Colin has talked about FUSION.

The only point I would add is that in addition to providing the features Colin described, FUSION has also been a great marketing tool and aid to our recruitment programme.

We believe FUSION provides our advisers, existing and new, with significant job efficiency advantages. And is unique in the marketplace.

Back Office

Outsourcing of Back Office and Clearing services in the domestic market has become very popular in recent years. In the Australian market many mid-tier brokers have taken advantage of the apparent cost benefits of outsourcing, particularly associated with lower capital requirements and reduced staffing.

Over the years we have had many offers to clear our ASX business, all of which we have resisted.

We believe our Back Office and Clearing Function is an asset and any perceived benefits gained by outsourcing are far outweighed by the risks associated with aligning to a single external clearer in the domestic market. Many of these risks are being played out in the market now.

We have the capital base and the staff to support our Back Office and Clearing Function, and in a market where these independent services are becoming increasingly rare we think this asset provides us with another significant competitive edge.

Citi

We continue to develop our relationship with Citi. The fully integrated and automated international equities platform we rolled out last year now provides 24 hour access to 126 global markets for 2,500 of our clients who hold \$680m in offshore assets.

We are currently working on new strategy with Citi to provide sophisticated investors with superior access to Global Corporate Bond issues and Fixed Income markets.

[SLIDE 10]

Market Update

As usual, very early in the year, we have only just completed our first quarter.

However we have had a good start to the year. Unaudited revenues for the quarter were \$43m, 16% ahead of last year's \$37m.

Unaudited profit before tax was \$4m, well ahead of the \$1.9m we produced in the first quarter of 2016.

Currently all of our business units are performing well and most importantly we have a strong Equity Capital Markets pipeline.

Share Price

Somehow we have become a high yielding, low PE stock. I am not sure how that happened, it certainly wasn't intentional, and based on the various divisions within the Group and their performance record over an extended period, I don't understand why we should be regarded as anything other than a growth stock.

For example, if you were to apply last year's fully franked dividend of 5.5cps to our current market share price of 65c we would be trading on a PE multiple of 10.6x, and a fully franked dividend yield of 8.5% which grosses up to 12.1% unfranked.

The obvious challenge for us is getting that message across to the market.

ANNUAL GENERAL MEETING 2017

MANAGEMENT PRESENTATION

19 APRIL 2017

COLIN BELL

ALASTAIR PROVAN

MANAGEMENT PRESENTATION

19 APRIL 2017

BELL FINANCIAL GROUP

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HIGHLIGHTS: 2016

- All business divisions were profitable
- Strong contributions from **Retail Equities, Third Party Platform** and **Bell Potter Capital**
- As a result of our strategic growth programme:
 - We have 44 new advisers across Retail, Wholesale and Equity Capital Markets
 - Group Funds under Advice grew by \$6 billion to \$38.8 billion
 - Third Party Platform now has 130,000 client accounts

Full year dividend

5.5
cents

Increased by 22%

Revenue

\$186.7
million

Increased by 5%

Net profit after tax

\$16.4
million

Increased by 3%

Funds Under Advice

\$38.8
billion

Increased by 17%

MARKET SUMMARY: 2016

- First half of year marked by equity market declines and weak commodity prices

- Second half of year saw external shocks from Brexit referendum and US election

- Continuing low growth, low interest rate environment proves challenging for investors

- However, our business continues to grow while others are contracting

- 2016 ended on a high note, with US markets and key commodity prices up – for a strong start to 2017

	2016	2015	% change	
Revenue	\$186.7m	\$177.8m	5%	↑
Profit after tax	\$16.4m	\$15.9m	3%	↑
Earnings per share	6.2cps	6.2cps	-	
Dividend per share (fully franked)	5.5cps	4.5cps	22%	↑
Share Price (31 Dec.)	72.5c	57.5c	26%	↑
PE Multiple ⁽ⁱ⁾	11.8 times	9.7 times	22%	↑
Dividend Yield (fully franked) ⁽ⁱ⁾	7.6%	7.8%	(3%)	↓
Dividend Yield (Gross) ⁽ⁱ⁾	10.8%	11.2%	(4%)	↓

⁽ⁱ⁾ Based on 31 December share price

DIVISIONAL PERFORMANCE: 2016

- Retail – incorporating Full Service Retail Equities
-
- Wholesale – incorporating Institutional Equities and Equity Capital Markets
-

	2016 \$m	2015 \$m	% change	
Portfolio Administration Services				
Revenue	\$13.6	\$12.1		
PBT	\$4.9	\$4.2	17%	↑
Bell Potter Capital				
Revenue (Net)	\$7.8	\$6.5		
PBT	\$2.1	\$1.4	59%	↑
Third Party Platform^δ				
Revenue	\$12.4	\$10.1		
PBT	\$2.0	\$1.2	67%	↑
<hr/>				
Total Revenue	\$33.8	\$28.7	18%	↑
Total PBT	\$9.0	\$6.8	32%	↑

^δ 57% owned by BFG

TECHNOLOGY:

- Our investment in technology continues to give us a competitive advantage

- Scalable, cost-effective proprietary platforms enabled us to grow in key areas

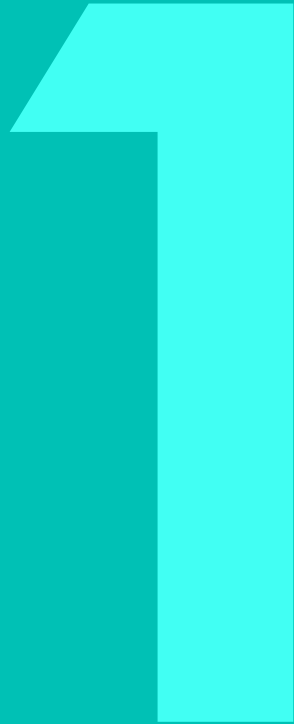
- Our FUSION platform continues to drive profitability and performance

- Back Office – competitive edge

- Citi – relationship continues to develop

MARKET UPDATE:

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- Unaudited first quarter revenue was \$43m, 16% ahead on the preceding corresponding period (p.c.p.) \$37m
-
- Unaudited first quarter profit before tax was \$4.0m, well ahead on the p.c.p. (\$1.9m)
-
- Conditions across all our businesses are looking reasonable
-
- We continue to have a strong E.C.M. pipeline
-



REPORTS FOR 2016

FINANCIAL REPORT
DIRECTORS' REPORT
AUDITOR'S REPORT

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ELECTION OF DIRECTORS

COLIN BELL

RE-ELECTION OF DIRECTOR

RE-ELECTION OF DIRECTOR: COLIN BELL

FOR

- 189,875,576 votes
- 99.75% of votes

AGAINST

- 283,632 votes
- 0.15% of votes

OPEN USABLE

- 183,770 votes
- 0.10% of votes

CRAIG COLEMAN

RE-ELECTION OF DIRECTOR

RE-ELECTION OF DIRECTOR: CRAIG COLEMAN

FOR

- 189,132,094 votes
- 99.64% of votes

AGAINST

- 490,464 votes
- 0.26% of votes

OPEN USABLE

- 183,770 votes
- 0.10% of votes

3

REMUNERATION REPORT

ADOPTION OF THE REMUNERATION REPORT

FOR

- 183,941,144 votes
- 99.63% of votes

AGAINST

- 545,447 votes
- 0.30% of votes

OPEN USABLE

- 123,770 votes
- 0.07% of votes

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