

Keycorp Limited
AGM 2009
Chairman's & CEO's Address

Slide 1 – AGM

Slide 2 – Welcome

Good morning ladies and gentlemen, on behalf of the board of Keycorp, let me welcome you all to our 2009 annual general meeting. My name is Rob Bishop, I am the chairman of Keycorp, and I will be chairing today's meeting.

Joining me today are my fellow directors: Michael Ibrahim, Gary Hooper and our CEO, Joe Bonin.

Also joining us today is our CFO, Shane Greenan, our Company Secretary, Melissa Letford, and our Auditors KPMG, represented here today by our audit partner Matthew Webb.

Our Company Secretary has confirmed that a quorum is present and I now formally declare the meeting open.

The notice of the annual general meeting was mailed to shareholders on October 12, 2009 and I propose that the notice of meeting be taken as read.

Our first item of business on the agenda is to receive and consider the full financial report, incorporating the financial statements, notes, directors' and auditor's reports of the company and its controlled entities for the year ended 30 June 2009. Before doing so, however, I would like to do several things.

Firstly, I would like to inform shareholders attending in person today that holders of 47,428,472 Keycorp shares, or approximately 58.5% of the groups ordinary share capital, are represented today by proxies lodged with the company.

Secondly, I would like to briefly discuss our progress over the last year and our strategy going forward. I will then hand over to our CEO, Joe Bonin, who will provide you with a more detailed view of the business.

Slide 3 – Recap

At last year's AGM we spoke about the issues we faced as a business, and the repositioning and restructuring strategy we had adopted under the stewardship of former CEO, Ken Carr.

At that meeting we explained the change to our business model to achieve a focussed managed services business model implementing our services strategy. We detailed the cost reduction program we implemented, which has recently culminated in relocation of head office functions to Melbourne. In fiscal 2009 we have focussed on creation of shareholder value.

Slide 4 – The transformation

The significant restructure has resulted in improved profitability, sustainable and recurring revenue streams, strong operating cashflows and balance sheet strength. Net assets have increased by \$4.5M during the year. The company has repaid its bank debt facility in full and our bank released its fixed and floating charge over the company's net assets. As at June 30, 2009 the company had approximately \$10M in cash after payment of dividends to shareholders totalling \$4.9M. Our recent trading update on 12 October, 2009 and the anticipated release

of investment deposits associated with the Westpac contract in fiscal 2010, will see the company's cash position improve further.

The company is dedicated to the stringent management of on-going operational and development costs, to maintain strong performance.

Slide 5 – The new Keycorp

The new Keycorp is a debt-free and profitable business with a supportable dividend payments policy.

Slide 6 – Solid foundation for growth

While the journey is not complete, we have established a solid foundation for growth. Keycorp is a strong, profitable company with good business prospects. Our clear focus is to be a leading Australian provider of services to the payments and retail industry. We have a board and executive team with the knowledge and experience to deliver on our strategic focus. In relation to that team I will shortly introduce you to the company's CEO, Joe Bonin and new director, Gary Hooper.

Slide 7 – FY2010 outlook

The company's outlook for fiscal 2010 is positive. Our contracts provide annuity style earnings, and our cash position will achieve a boost from the release of approximately \$10M in bonds and securitisation funds on completion of the Westpac contract at the end of the financial year.

Slide 8 – FY2010 outlook

The first quarter will see better than expected revenues due to EMV upgrades, software and technology sales, continued improvements in operational efficiencies and the continuing impact of the restructuring initiatives. We have provided an upgraded guidance for FY10 EBIT of approximately \$6.5M, being a 74% improvement in EBIT from continuing operations. This reaffirms the successful restructure and the sustainability of the business going forward.

Slide 9 – Market comparative

We consider Keycorp is currently valued below comparative benchmarks. There is a substantial price to earnings upside when Keycorp is valued on actual earnings.

Slide 10 – Collective efforts of many

I would like to thank our shareholders and our customers for their continuing support. The company's staff have been through a challenging and turbulent time with the restructuring activities, and I also thank them for their support. The past year has seen a number of changes to the board of directors including the departure of Christine Holgate, Barry Grisdale, Ken Carr and Philip Jones. I would like to thank them for their efforts in addressing some challenging decisions in the past year. Philip and Christine were both nominee directors from Telstra. Now that the transformation process is complete and the company can look toward a solid future, Telstra has nominated a single director to replace them. We consider this to be indicative of the confidence that can now be placed in the company by all shareholders. Gary Hooper brings a wealth of experience in sales and services acquired during his years at Telstra, and he will stand for election today.

I extend thanks to former CEO, Ken Carr. Without his leadership and commitment to rebuilding this company, it is fair to say the restructuring program would not have been the success it was. He helped the

company to reshape and stabilise such that it could be safely handed over to the new CEO, Joe Bonin. Joe has been with the company for 9 years and brings the operational and market expertise to the role of CEO, necessary to continue to grow the business. The board thanks Joe for accepting the challenges that the new Keycorp will bring, and welcomes him to the role.

On that note, I will now handover to CEO, Joe Bonin.

Slide 11 – CEO Address

Thank you Rob and may I begin by saying that it is an exciting time to be at Keycorp.

As we begin to chart our way towards growth there is a strong sense of confidence with the recent knowledge that what we said would be done has been done.

Slide 12 – CEO Presentation – FY09 financial highlights

Fiscal year 2009 produced a result not seen since 2004 – a profit.

A net profit of \$9.3 million was recorded compared to a small net loss the prior year. The most pleasing aspect of the result was that the underlying continuing business recorded a profit of \$3.7 million compared to a like for like loss of \$4.0 million for the previous year.

This \$7.7 million turnaround is a very solid result given that the results did not reflect a full year's impact of the restructuring actions.

Slide 13 – CEO Presentation – FY09 segment highlights

The solid result for FY09 was not solely due to the restructuring program or just due to the gains from asset disposals.

The segment results show that both business lines of the continuing business posted impressive results.

Before allocation of corporate expenses, our payments solutions business turned around to the tune of \$4.5 million; and services continued to deliver with a 46% improvement in pre-tax contribution.

The contribution from both business lines combined returned an impressive 20.9% of sales. This was more than double the previous year and reflects the quality of the earnings stream on a forward basis.

Hence you can start to appreciate the confidence we have in the reliability of our guidance for the coming year.

Slide 14 – CEO Presentation – FY09 other highlights

In addition to the financial results, there were many other highlights throughout the year. There were a myriad of business process improvement initiatives throughout the year.

Our payments software team hit their straps and won significant new orders for eftpos payments software. An underlying strength of our continuing business is our software development expertise and it was pleasing to have this acknowledged in the most meaningful of ways – customer orders. This bodes well for our future.

An unheralded achievement for the year was our services group delivering their one millionth on-site customer support call. Not a bad achievement in light of our recent challenges. I believe this speaks volumes for the trust and support of our customer base as does the renewal of several multi year services contracts.

Slide 15 – CEO Presentation – FY09 other highlights

Finally, the culmination of all of our activities saw us essentially complete the transformation program that the Board announced in 2007.

We now have a continuing business, focused around services with the objective of becoming a leading provider of a broader range of services to the payments and retail industries.

The business is now focussed on growth and I hope that the “restructuring” word will be banished to Keycorp’s historical archives.

Today, we have a very strong balance sheet that instils confidence in our customers, staff and business partners.

Growing the business is certainly achievable when there is a combination of a solid underlying business, good cash flows, renewed confidence and a strong balance sheet.

Slide 16 – CEO Presentation – Strategy moving forward

With growth in mind, it is important we reaffirm our strategy moving forward.

The prior approach of product centric businesses, either smartcards or product design and development, has been discontinued. Despite the

sometimes “higher” revenues that this business brought, the combination of commodity style low margins plus high levels of R & D resulted in these business lines generating a poor level of return, which our prior results are testament to.

The focus of the business moving forward is a services oriented business based upon 3 elements:

1. firstly, product distribution (not design and development) as there will always be a need from our customers for products to facilitate a transaction whether it be a current form of an eftpos terminal, an intelligent card or device reader or emerging forms of payment platforms such as mobility devices.

We are well placed in regards to product distribution given the depth and breadth of our technical skills and our distribution capabilities. This is evidenced by the fact that we are already a volume indirect channel for some of the bigger international eftpos brands. In addition, having strong distribution capabilities allows us to better leverage our software and services skills to offer a broader range of solutions to the market.

2. secondly, our software expertise, particularly in eftpos payments transactions is a core strength of the business, and the combination of our intellectual property and proven deliverables allows us to apply these skills to a broader range of payments functionality.

3. thirdly, our service capability which has long been the bedrock of Keycorp is core to our strategy moving forward.

Our current strengths in services innovation and leadership, our flexible and scalable business model and our investments in service networks and infrastructure gives us a solid base to pursue growth opportunities.

I should also mention that we also have over 25 years of experience in delivering quality services in a very demanding, time critical services market. This gives us a valuable practical competitive advantage which is difficult for others to replicate.

Slide 17 – CEO Presentation – Multiple growth opportunities

In providing an overview of the growth opportunities, we will pursue a growth strategy that is based upon our core capabilities. This is an important distinction, as whilst the means may be organic growth or through acquisition, the important point is that any growth must play to the strengths of the business to maximise success.

Slide 18 – CEO Presentation – Multiple growth opportunities

Based on our core capabilities, the most obvious sector for growth is our existing backyard, the EFTPOS payments and services sector.

Our ability to aggressively pursue opportunities in this sector has been limited over the past two years as we undertook our transformation program. With that over, and with the funds to facilitate it, there is renewed business development focus and we have a healthy pipeline of qualified opportunities to expand our presence and replace the contribution from our legacy arrangements such as the Westpac arrangement.

In addition we will continue to drive operational efficiencies in order to maximise our margins.

Slide 19 – CEO Presentation – Multiple growth opportunities

We also believe that growth in payments is not restricted to just eftpos payments and we see opportunities to participate in the broader payments sector either directly or as a partner provider of services.

Growth in these channels will be via a combination of organic and acquisitive growth.

Slide 20 – CEO Presentation – Payments channels (1 & 2)

This chart provides an opportunity map that demonstrates that on the back of our existing capabilities and points of presence, why we see there are realistic opportunities to pursue.

A services approach to growth compared to a narrow product centric focus provides a broader range of opportunities for our consideration and evaluation.

Slide 21 – CEO Presentation – Multiple growth opportunities

And thirdly, with a services focus, we believe there are sizeable opportunities in segments or verticals closely related to the payments segment.

What is worthy to note, is that in many instances we are already present in these verticals particularly in general retail.

Growth in these verticals will be via complementary acquisitions where we seek to acquire businesses that bring incremental revenue streams and additional capabilities. The next slide gives a view of the verticals under consideration.

Slide 22 – CEO Presentation – Other sectors (3)

Here we can see the many opportunities that present themselves. It is acknowledged that entering new segments can be difficult. However, our confidence is buoyed by our recent successes in extending our services into other verticals.

For example, we have applied our services expertise for one of Australia's largest petro- marketing and distribution companies. This includes providing complete point of revenue support including all pos hardware and software applications, and back of office administration applications and fuel card systems support. This is a real example of why we believe we can extend our offerings into other verticals.

In summary, we do have confidence in the ability to grow the business based on both the strength of our balance sheet and the demonstrated ability to leverage current capabilities.

However, it needs to be said that the pursuit of growth will not be done for growth's sake, we will do it in a systematic and diligent manner that seeks to create sustainable value for our shareholders.

Slide 23 – CEO Presentation – The year ahead

As I wrap up my part of the presentation, I would just like to add a few comments to the guidance that Rob outlined earlier.

Our current guidance is for an EBIT of \$6.5 million, which apart from being a 74% improvement on a like for like basis on the previous year,

represents a very healthy 15% return on sales – not a bad effort given where we have come from.

This guidance is based on forecast revenue of approx. \$43 million; of which 65% will be from services compared to a 50% services mix last year.

This revenue and mix change reflects the services strategy in action, where better returns are available from services compared to the “higher” revenues and lower margins associated with the discontinued product centric approach.

Slide 24 – CEO Presentation – Creation of shareholder value

Measured using other investment ratios, we are seeing close to or above double digit returns on assets and equity which is another measure of the quality of the value creation of the services strategy implemented over the past two years.

Slide 25 – CEO Presentation – Summary

In summary, there are a few key thoughts to leave you with:

The transformation program has given us a solid platform for an on-going quality earnings stream which in turn provides the opportunity to pursue growth, in a diligent and value creation way.

We have the support of blue chip customers, the business is robust and scalable to rapidly capture growth opportunities, and we have a pipeline of both organic and acquisitive growth options which are closely aligned to our current strengths.

In closing, our focus moving forward is definitely towards profitable growth.

Thank you and I will now pass you back to Rob.

Slide 26 – Items of Business

Before we start into the first item of business, I would ask that as we move through the agenda, questions be kept specific to each item on the agenda. We will have an opportunity for more general questions at the completion of the business of the meeting.

Slide 27 – Item 1: Adoption of Financial Year 2009 Accounts

The first item of business is to receive and consider the company's financial statements and the reports of the directors and of the auditor for the year ended 30 June 2009. As you are aware, these reports were set out in the 2009 Annual Report for consideration by the shareholders.

The financial report was subject to audit by KPMG who gave an unqualified audit opinion. No formal resolution is required to be put to the meeting on this item. I will however take questions on the reports.

Are there any questions in relation to the reports that either I or our Auditors could address.

(After all discussion regarding the company's financial report, directors' report and auditor's report)

[I declare the financial report, directors' report and audit report as duly received and considered at the meeting.]

Slide 28 – Item 2: To adopt the remuneration report for the year ended 30 June 2009

I now move to the second item on today's agenda being the adoption of the remuneration report, a copy of which is set out in the company's 2009 annual report.

I note that the resolution to adopt the remuneration report is advisory only and does not bind the directors or the company. I said last year and I will repeat here that we take it very seriously and have moved as much as possible to align the interests of both management and the board to those of shareholders. As discussed last year we have moved executive remuneration to a much more performance based reward than had previously been the case. I believe remuneration is a critical component of the business model we are pursuing and the results you are seeing.

Before I put the motion, I would like to invite any questions from shareholders, should there be any. With regard to this motion, the following proxies are held

- Votes where the proxy was directed to vote for the motion – 45,960,472
- Votes where the proxy was directed to vote against the motion – 1,204,265
- Votes where the proxy may exercise discretion how to vote – 263,735
- Votes where the proxy was directed to abstain from voting – 443,781

I now put the motion that the remuneration report as outlined in the explanatory memorandum and 2009 annual report be adopted by the company and seek a member from the floor to second the motion. If I could ask members to approve via a show of hands:

Those in favour/those against

The motion was ***[carried/ not carried/ or announce a poll is demanded]*** on a show of hands as an ordinary resolution.

Slide 29 – Item 3: Election of directors of the company

I now move to the third item on today's agenda, the re-election of both Joe Bonin and Gary Hooper as directors of the company.

I will move first to the re-election of Joe Bonin. Joe was first appointed an executive director of Keycorp in July 2009 and is retiring and standing for re-election on a rotational basis. A detailed resume is contained in item 3 of the explanatory notes attached to the notice of meeting.

Before I put the motion, I would like to invite any questions from shareholders, should there be any. With regard to this motion, the following proxies are held

- Votes where the proxy was directed to vote for the motion –
47,118,806
- Votes where the proxy was directed to vote against the motion
– 53,511

- Votes where the proxy may exercise discretion how to vote –
263,735
- Votes where the proxy was directed to abstain from voting –
436,201

I now put the motion that, Joe Bonin, who at this meeting retires in accordance with Article 16.1 of the company's constitution, be re-elected as a director of the company and seek a member from the floor to second the motion. If I could ask members to approve via a show of hands:

Those in favour/those against

The motion was ***[carried/ not carried/ or announce a poll is demanded]*** on a show of hands as an ordinary resolution.

Slide 30 – Item 3: Election of directors of the company

I now move to the re-election of Gary Hooper. Gary was first appointed to the board as a non-executive director on 22 October 2009 and is also retiring and standing for re-election on a rotational basis. There is a detailed resume for Gary contained in item 3 of the explanatory notes

Before I put the motion, I would like to invite any questions from shareholders, should there be any. With regard to this motion, the following proxies are held

- Votes where the proxy was directed to vote for the motion –
47,117,176
- Votes where the proxy was directed to vote against the motion
– 55,141
- Votes where the proxy may exercise discretion how to vote –
263,735
- Votes where the proxy was directed to abstain from voting –
436,201

I now put the motion that, Gary Hooper, who at this meeting retires in accordance with Article 16.1 of the company's constitution, be re-elected as a director of the company and seek a member from the floor to second the motion. If I could ask members to approve via a show of hands:

Those in favour/those against

The motion was [*carried/ not carried/ or announce a poll is demanded*] on a show of hands as an ordinary resolution.

Slide 31 - Questions

This year we invited shareholders to submit questions they would like addressed at this meeting. None were received. Accordingly, I'll take questions from the floor.

I would ask any shareholder or proxy holder who wishes to address the chair to raise their hand and wait until I ask them to speak and I would also ask that you introduce yourself by name.

Slide 32 – Meeting close and thank you

Ladies and Gentlemen that concludes the business of this meeting. We are serving some refreshments and I would invite you to stay and join the directors and management for some informal discussion. Thank you for your interest and your attendance here today. I now declare the meeting closed.