



Good performance in F18, now a new CEO bringing evolutionary change

Company/ASX Code	Bendigo and Adelaide Bank/BEN
AGM date	Tuesday 30 October 2018
Time and location	11am at Ulumbarra Theatre, Gaol Rd, Bendigo Victoria
Registry	The Bank's Share Registry, Level 4, The Bendigo Centre, Bendigo Vic
Webcast	Yes
Poll or show of hands	Poll
Monitor	Eric Pascoe, Norm West and Barbara Tadich
Pre AGM Meeting?	Yes, with CEO Marnie Baker, CFO Travis Crouch, Co. Sec. Will Conlan

Item 1	Consideration of accounts and reports
ASA Vote	No vote required

Financial performance

Bendigo and Adelaide Bank Ltd is happy with its performance in FY18. Cash profit increased 6.4% on the prior year despite the competitiveness within the industry and the negative sentiment enveloping it. Earnings per share was up 4.2% reflecting the dilution of their dividend reinvestment plan (DRP). The company saw fit to raise the dividend by 2c (2.9%) to 70c for the year as a consequence of their improved performance. However 'What does the future hold' is the intriguing question surrounding Bendigo and Adelaide bank now.

Governance and culture

Whilst the Bendigo and Adelaide bank has been mentioned in the banking royal commission it has largely escaped the widespread negative publicity wrought upon the big 4 banks. For many years the bank has successfully strived to be at the very top of industry ratings for customer satisfaction, connectedness and trust. Unfortunately, in the past, translating its industry-leading customer satisfaction ratings into tangible benefits for the company has largely eluded them.

Given the degree of negative public sentiment towards the major banks, is Bendigo and Adelaide bank now faced with an unprecedented opportunity to capitalise on its unique standing in the community? That is certainly the thought of the new MD. 'Australia's bank of choice' is the catch-cry. There is a big market to tap into if they are successful in persuading a public, that has been previously reluctant to change from the big 4 regardless of the abundance of negativity surrounding them, to give Bendigo/Adelaide a try.

Key events such as restructures, acquisitions, buy backs and capital raisings

There were no acquisitions, buy backs or capital raisings during the year.

Key Board or senior management changes

There has been substantial evolutionary change in the executive ranks at Bendigo and Adelaide Bank led by the retirement of the MD/CEO Mike Hirst after 9 years in the role. Marnie Baker, a lifetime employee of Bendigo Bank, was appointed as the new MD/CEO on 2 July. On 13 August Ms Baker announced a [restructure of the bank into three areas of focus](#); Consumer, Business and Agribusiness. This was in order to “align capabilities and operations to sharpen focus with a strategy to be Australia’s bank of choice”. A shuffle of senior positions accompanied the restructure including the appointment of a new CFO in Travis Crouch.

ASA focus issue

A major issue for the ASA is the term of the Chair in holding this position and being on the board. Robert Johanson joined the board 30 years ago and has been in the role of chair for the last 12 years. This is way outside the ASA’s guidelines for good governance and Mr Johanson still calls himself ‘independent’. However, previously Mr Johanson has spoken of retiring after a new MD was appointed and able to settle in. The ASA awaits next year’s AGM with anticipation.

There are also two additional directors that have been on the board for 12 years that also call themselves ‘independent’. One is up for re-election.

Bendigo and Adelaide Bank has achieved a 50/50 gender split on the board and has a majority of independent directors.

Summary

(As at FYE)	2018	2017	2016	2015
NPAT (\$m)	434.5	429.6	415.6	423.9
UPAT (\$m) (Cash Earnings)	445.1	418.3	401.4	402.8
Share price (\$) (EOFY)	10.84	11.08	9.60	12.26
Dividend (cents)	70	68	68	66
TSR (%)	4.3	22.4	-16.2	5.8
Statutory EPS (cents)	89.9	90.9	90.4	92.5
CEO total remuneration, actual (\$m)	2.5	1.6	2.7	

For FY18, the CEO’s total actual remuneration was **approximately 29 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2018 data from the Australian Bureau of Statistics).

Item 2	Re-election of Ms Vicki Carter as a Director
ASA Vote	For

Summary of ASA Position

Ms Carter joined the board on 4 September 2018. She is widely experienced in retail banking having held senior positions with NAB, ING, MLC and Prudential. She is currently the Executive Director, Strategy and Business Services at Telstra.

She is a member of the Credit, Technology and Governance & HR committees. She has also been appointed a director of Bendigo/Adelaide subsidiary Rural Bank.

The ASA will expect Ms Carter to obtain a reasonable stake in the company over time. The ASA supports her re-appointment.

Item 3	Re-election of Mr Tony Robinson as a Director
ASA Vote	For

Summary of ASA Position

Mr Robinson joined the board in April 2006. The board has classified him as independent but after 12 years incumbency the ASA does not. We note there is a majority of independent directors on the board. He is the Chair of the Governance and HR Committee and a member of the Risk Committee and the Audit Committee. Mr Robinson is also a Director Sandhurst Trustees Ltd, a subsidiary of Bendigo and Adelaide Bank.

Mr Robinson owns an appropriate number of Bendigo & Adelaide shares. He would also be a strong candidate for the role of chair should the incumbent retire in 2019. On balance the ASA has decided to vote in favour of Mr. Robinson's re-election but request that he not be listed as 'independent' due to him having been on the board for 12 years.

Item 4	Adoption of Remuneration Report
ASA Vote	For

Summary of ASA Position

Bendigo and Adelaide Bank discloses the actual remuneration paid to its executives, although the report is "unaudited", and the number of shares allocated under the incentive schemes is determined using face value.

The pay structure of executives other than the CEO includes 62% paid as cash and 38% paid in equity. 20% of their total potential is offered as an STI and 20% in the form of an LTI. Incentive based payments are subject to various and appropriate hurdles however LTI's are tested over just 3 years.

Non-executive director remuneration increased in August 2017 by 2.5% to \$197,825 for directors and \$494,550 for the Chair. Since the end of the FY18 the board has approved a further rise to its own pay of 2% taking its remuneration to \$201,780 and \$504,450 for the Chair. This will be raised at the AGM.

Item 5	Approval of LTI grant to CEO/Managing Director Ms. Marnie Baker
ASA Vote	For

Summary of ASA Position

The new Managing Director's Remuneration package appears to be just below that of the outgoing CEO's package. It consists of an annual base of \$1.2 million cash and 50,000 deferred shares (current face value of approximately \$500,000) for which the only hurdle is continuing employment with the Bank. There is an STI potential of \$400,000 paid as two-thirds cash/one-third equity (if under \$100,000 all cash) and an LTI of 50,000 performance rights (to a share at no cost), both of which have reasonable hurdles including the bank's Net Promoter Score (independently judged customer satisfaction comparative score) being favourable and comparative TSR (with ASX listed peer group).

In total, approximately half of the CEO's remuneration will be in the form of equity. LTI's are subject to a 4-year service condition and there is no retesting if any of the hurdles are not met.

Worthy of note is that Ms Marnie Baker, the new Managing Director, has worked for Bendigo Bank in senior positions for many years and consequently has accrued a substantial shareholding in the company before being appointed to the top job. It is a unique situation to find an incoming CEO/MD holding such a significant stake in their company. One would imagine that Ms Baker should have very good shareholder alignment.

The individual(s) (or their associates) involved in the preparation of this voting intention have a shareholding in this company.

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