

BEN – Ideal market conditions but modest results

Company/ASX Code	Bendigo & Adelaide Bank Ltd (BEN)
AGM time and date	11am AEDT, Tuesday 24 October 2023
Location	Capital Theatre View St. Bendigo Victoria
Registry	Boardroom Ltd
Type of meeting	Hybrid
Monitor	Eric Pascoe & Norm West
Pre-AGM Meeting	Jacqueline Hey (Chair), Andrew Morgan (CFO) Vicki Carter (Dir)

Monitor Shareholding: The individuals involved in the preparation of this voting intention have a shareholding in this company.

1. How we intend to vote

No.	Resolution description	
2	Election of Patricia Payn as a Director	For
3	Adoption of the Remuneration Report	For
4	Approval of the Grant of Performance Rights to the CEO/MD	For
5	Approval of selective capital reduction schemes in respect of Converting Preference Shares 4	For

2. Summary of Issues and Voting Intentions for AGM

Current board member David Foster is slated to replace Ms Jacqueline Hey as Chairperson at the conclusion of the AGM. The proposed incoming Chairman is currently the Chairman of gambling company Star Entertainment Group as well as holding other directorships.

3. Matters Considered

Accounts and reports

The superficial view of BEN's results, occurring in a rising interest rate market that is ideal for banks, is favourable. Cash profit is up 15%, Net Interest Margin up 20 basis points, Cost to income ratio down a whopping 420 basis points, Return on Equity up 90 basis points and dividends up 15%. From BEN's point of view, you probably can't get much better than that, however, the stock market's response has been muted. Why?

BEN's statutory results, as distinct from the unaudited 'Cash Profit' result which the board loves to promote, is far more subdued. Net Profit rose just 1.8% and Total Shareholder Return has been

0.77% for F23. Shareholders need to decide if \$37.2m in impairment charges and \$27.4m in restructure costs are really one-off in nature and therefore shouldn't be taken into account even though similar "non-cash" items reappear every year.

(As at FYE)	2023	2022	2021	2020	2019
NPAT (\$m)	\$497.0	\$488.1	\$524.0	\$192.8	\$376.8
UPAT (\$m)	\$576.9	\$500.4	\$457.2	\$301.7	\$415.7
Share price (\$)	\$8.59	\$9.07	\$10.49	\$7.01	\$11.58
Dividend (cents)	61c	53c	50c	31c	70c
Simple TSR (%)	0.77%	-6.8%	55.5%	-36.4%	14.2%
EPS (cents)	87.9c	87.5c	98.1c	38.1c	77.1c
CEO total remuneration, actual (\$m)	\$2.662m	\$1.829m	\$1.773m	\$1.680m	\$1.861m

Governance and culture

The Bendigo and Adelaide Bank has always been exemplary in its governance and culture and this has only been strengthened under the stewardship of Jacqueline Hey as chairperson and Marnie Baker as CEO.

Key board or senior management changes

At the end the end of BEN's AGM it is proposed that Jacqueline Hey will resign as Chairperson and current director of 4 years, David Foster, will assume the role of Chairman. Mr Foster is well qualified to be Chairman having previously been CEO/MD of Suncorp Bank for 5 years. He already Chairs ASX listed Star Entertainment Group, a gambling company. The BEN board maintains that the qualities and experience of Mr Foster outweigh any negatives around his workload and association with a gambling company. Indeed, there is a perception that Mr Foster has been brought in to fix problems at Star Entertainment. However, having the Chairman of a gaming company also chairing a regional bank, with a wholesome image of supporting the community, is incongruous.

Sustainability/ESG

BEN is very aware of sustainability and ESG issues. During the year they launched BEN-Zero their pathway to net zero emissions by 2040. They claim to have completed 90% of the actions in their Climate Change Action Plan and they have inaugurated their Reconciliation Action plan.

Other issues

At our pre-AGM meeting the ASA drew attention to the large franking credit balance that has built up in the Bendigo & Adelaide bank's books (Approx. \$683m). It is not an asset for the bank and has no value sitting on their books. With the current federal government reviewing franking credit legislation we encouraged the board to look for sensible and efficient ways to distribute the franking credits to shareholders in whose hands they can be of considerable value.

4. Rationale for Voting Intentions

Resolution 1 (Item 2) - Election of (Patricia) Margaret Payn as a Director

Margaret Payn, recently (September) appointed to the board, appears to be a suitably qualified, independent candidate for the board with extensive national and international banking and finance experience. Ms Payn has no other directorships, so we believe her workload is not excessive.

Resolution 2 (Item 3) - Adoption of the Remuneration report & Resolution 3 (Item 4) Approval of the grant of performance rights to the CEO/MD

The ASA, whilst not entirely happy with the remuneration report because of its complexity, we will support it and the granting of the CEO's performance rights. It is very little changed from the remuneration report that we supported last year and the CEO's remuneration is not excessive.

Resolution 4 (Items 5A & 5B) - Approval of selective capital reduction schemes in respect of Converting Preference Shares 4 (CPS4)

CPS4 forms a part of BEN's 'Additional Tier One Capital'. Approval will allow the bank to buy back CPS 4's at their face value, subject to approval by APRA. Approval is an important measure that allows BEN to actively manage their Tier 1 Capital Ratio effectively.

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Appendix 1

Remuneration framework detail

CEO rem. Framework for FY24	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	\$1.6m	54%	\$1.6m	43.5%
STI - Cash	\$0.36m	12%	\$0.52m	14.1%
STI - Equity	\$0.36m	12%	\$0.52m	14.1%
LTI	\$0.64m	22%	\$1.04m	28.3%
Total	\$2.96m	100%	\$3.68m	100%

Short Term Incentive scorecard factors are;

Weighting

- Cost to Income ratio 20%
- Cash Earnings 20%
- Profit after capital charge 10%
- Customer experience and satisfaction combined with social impact through the Community Bank network 20%
- Employee experience and diversity combined with implementation of the climate change action plan 10%
- Risk and governance uplift 20%

There is an 'Individual Modifier' which can reduce STI outcomes to zero or increase them to 120% of the scorecard outcome.

Fifty percent of the STI is paid in cash and 50% is deferred rights.

Long Term Incentive Hurdles;

Weighting

- Relative TSR (against ASX S&P 100 Financials) 40%
- ROE over 4 years 25%
- Relative customer NPS 20%
- Reputation Index 15%