



# Notice of Annual General Meeting 2020



**Bendigo and  
Adelaide Bank**

7 September 2020

Dear Shareholder

On behalf of the Board, I am pleased to invite you to attend the 2020 Annual General Meeting (**AGM**) of Bendigo and Adelaide Bank Limited (the **Bank**) which will be held at 11:00am (AEDT) on Tuesday, 27 October 2020.

As a result of the continuing coronavirus (COVID-19) developments, we have made some important changes to our AGM this year. Due to the unpredictability of ongoing restrictions on large gatherings and the risks arising from the spread of COVID-19, and in consideration of the paramount importance of protecting the health and safety of our shareholders, employees and the community, we will be holding a fully virtual AGM this year. This means there will unfortunately not be a physical venue for you to attend. We apologise for this and hope, given all our current circumstances, you understand the need for this approach to our 2020 AGM.

Shareholder participation in the AGM is important to us, and we know it is important to you. As such, we've made sure there are a variety of ways you can attend the meeting, and we strongly encourage you to do so. The AGM will be webcast live and you will have an opportunity to submit questions and vote in real time. For those of our shareholders who either do not have internet access, or have limited internet bandwidth, we have an option for you to listen to the AGM's proceedings via telephone. More details about the AGM are available at: <http://bendigoadelaide.com.au/agm2020>

Details on the resolutions being put to shareholders this year, and how to attend and vote at the AGM, are set out in the Notice of Meeting for the AGM. Shareholders are encouraged to submit votes ahead of the meeting (see page 15 in the Notice of Meeting on how to vote). At the meeting, Managing Director, Marnie Baker and I will provide a brief presentation on the performance of the Bank over the last year, and also highlight the Board's strategy for the next few years. We will then proceed to the formal items of business for consideration.

For a detailed overview of the Bank's performance and operations for the year ended 30 June 2020, I encourage you to read the 2020 Annual Financial Report prior to the AGM. The 2020 Annual Financial Report can be found on our website at: [https://www.bendigoadelaide.com.au/shareholders/annual\\_reports.asp](https://www.bendigoadelaide.com.au/shareholders/annual_reports.asp).

Yours sincerely



Jacqueline Hey  
Chair

# How to participate in the AGM

The 2020 Annual General Meeting (AGM) of Bendigo and Adelaide Bank Limited (ABN 11 068 049 178) (the Bank) will be held on Tuesday, 27 October 2020 at 11:00am (AEDT) as a virtual meeting.

There are a number of ways shareholders and proxyholders can attend and vote at the AGM:

## 1. Participate and vote on online (virtually)

- Download the Lumi App onto your smartphone or mobile device. This can be downloaded from the GooglePlay Store™ or the Apple® App Store by searching by the app name “Lumi AGM”; or
- Join at <http://web.lumiagm.com/350493523> using any web browser on a computer, tablet or smartphonedevice (using the latest version of Chrome, Safari, Internet Explorer 11, Edge or Firefox).

Online registration will open at **10:30am (AEDT) on Tuesday 27 October 2020.**

You will need the following details to join the AGM:

<b>Meeting ID</b>	<b>350 493 523</b>
<b>Username</b>	Your Voter Access Code (VAC) as shown on your Direct Voting / Proxy Form*
<b>Password</b>	Australian Residents: Postcode of the registered holding
	Overseas Residents: The three-character country code which can be found at: <a href="https://www.bendigoadelaide.com.au/agm2020">https://www.bendigoadelaide.com.au/agm2020</a>
<b>Appointed proxy / attorneys / corporate representatives</b>	To receive your Username and Password, please contact our share registry, Boardroom, on 1300 032 762 (within Australia) or +61 2 8023 5417 (internationally) or send an email to <a href="mailto:BEN@boardroomlimited.com.au">BEN@boardroomlimited.com.au</a> to pre-register and obtain your login details.

\*If you have received more than one Direct Voting / Proxy Form for different shareholdings then you will need to login separately for each holding using the corresponding Voting Access Code and postcode on the Direct Voting / Proxy Form in order to vote during the virtual AGM.

For more information on voting, proxies and how to ask questions, please refer to the Explanatory notes in the Notice of Meeting on page 15.

## 2. Listen through the telephone conference

- Australian residents - dial one of these numbers 1800 455 963 or 1800 908 299 (toll-free within Australia).
- Overseas residents - dial +61 2 9007 8048.
- An operator will greet you and will ask which AGM you wish to join.
- Please state that you wish to join the Bendigo and Adelaide Bank 2020 AGM.
- The operator will request your details before placing you into the meeting.

## 3. Listen and watch the webcast

- Listen and watch the AGM live on the Bank’s website by visiting the link at:  
<https://www.bendigoadelaide.com.au/agm2020> on any device.

*Note: Voting and asking questions at the AGM is not available through the telephone conference or webcast. Please see page 15 of the Notice of Meeting on how to vote and ask questions prior to the AGM.*

### Need help?

An easy reference guide on how to attend and vote at the AGM is available at: <https://www.bendigoadelaide.com.au/agm2020> If you have any other questions about the AGM, please call 1300 032 762 or +61 2 8023 5417 for assistance.

# Notice of Meeting

The 2020 Annual General Meeting (AGM) of Bendigo and Adelaide Bank Limited (ABN 11 068 049 178) (the Bank) will be held on Tuesday, 27 October 2020 at 11:00am (AEDT) as a virtual meeting online at <http://web.lumiagm.com/350493523>.  
Online registration will commence at 10:30am (AEDT) on the day.

## Items of business

- 1. Financial statements**  
To receive and consider the Bank's Financial Report, Directors' Report and Independent Auditor's Report for the financial year ended 30 June 2020.
- 2. Re-election of Ms Jacqueline Hey as a director**  
To consider, and if thought fit, pass the following as an ordinary resolution:  
*That Ms Jacqueline Hey, who retires from office under Rule 72 of the Bank's Constitution, be re-elected as a director of the Bank.*
- 3. Re-election of Mr Jim Hazel as a director**  
To consider, and if thought fit, pass the following as an ordinary resolution:  
*That Mr Jim Hazel, who retires from office under Rule 72 of the Bank's Constitution, be re-elected as a director of the Bank.*
- 4. Election of Mr Anthony Fels as a director**  
To consider, and if thought fit, pass the following as an ordinary resolution:  
*That Mr Anthony Fels, having offered himself for election under Rule 72.5 of the Bank's Constitution, be elected as a director of the Bank.*
- 5. Adoption of Remuneration Report**  
To consider, and if thought fit, pass the following resolution:  
*That the Remuneration Report for the Bank as set out in the *Annual Financial Report* for the financial year ended 30 June 2020 be adopted.*
- 6. Allocation of shares to the Managing Director under the Loan Funded Share Plan**  
To consider, and if thought fit, pass the following as an ordinary resolution:  
*That approval be given, for the purposes of ASX Listing Rule 10.14 and for all other purposes, to the allocation of shares in the Bank to the Managing Director, Ms Marnie Baker, up to the maximum value of \$2,550,000 (together with the provision of a loan for that amount) under the Bank's Loan Funded Share Plan, on the terms summarised in the Explanatory Notes to this Notice of Meeting.*
- 7. Grant of Performance Rights to the Managing Director under the Omnibus Equity Plan**  
To consider, and if thought fit, pass the following as an ordinary resolution:  
*That approval be given, for the purposes of ASX Listing Rule 10.14 and for all other purposes, to the grant of 36,376 performance rights to the Managing Director, Ms Marnie Baker, under the Bank's Omnibus Equity Plan, on the terms summarised in the Explanatory Notes to this Notice of Meeting.*
- 8. Approval of selective capital reduction schemes in respect of Convertible Preference Shares 3 (CPS3)**  
To consider, and if thought fit, pass the following as special resolutions:
  - a) *That the terms and conditions of the selective capital reduction in respect of CPS3 on the Optional Exchange Date of 15 June 2021 on the terms and conditions described in the Explanatory Notes accompanying this Notice of Meeting (the **First Capital Reduction Scheme**.) be approved.*
  - b) *That the terms and conditions of the selective capital reduction in respect of CPS3 at any time prior to the Optional Exchange Date of 15 June 2021 on the terms and conditions described in the Explanatory Notes accompanying this Notice of Meeting (the **Second Capital Reduction Scheme**) be approved.*
- 9. Approval of share issue under institutional placement**  
To consider, and if thought fit, pass the following as an ordinary resolution:  
*That approval be given, for the purposes of ASX Listing Rule 7.4 and for all other purposes, for the issue of 26,766,596 fully paid ordinary shares in the Bank on 21 February 2020 made by way of institutional placement, as described in the Explanatory Notes to this Notice of Meeting.*

## Chair's voting intention

The Chair of the Meeting intends to vote undirected proxies:

- in favour of the resolutions proposed in Items 2, 3, 5, 6, 7, 8 and 9; and
- against the resolution proposed in item 4.

There is no formal motion with respect to item 1.

## Voting exclusions

**Item 1** – There is no vote on this item of business.

**Items 2, 3 & 4** - There are no voting restrictions on these items.

### Item 5 - Adoption of Remuneration Report

Votes may not be cast, and the Bank will disregard any votes cast, on the resolution proposed in Item 5:

- by or on behalf of a member of the Bank's Key Management Personnel (**KMP**) listed in the Remuneration Report (and their closely related parties); or
- as a proxy by a person who is a member of the Bank's KMP at the date of the meeting or their closely related parties,

unless the vote is cast:

- as proxy for a person entitled to vote in accordance with a direction on the proxy form; or
- by the Chair of the meeting as proxy for a person entitled to vote and the Chair has received express authority to vote undirected proxies as the Chair decides even though Item 5 is connected with the remuneration of the Bank's KMP.

### Item 6 - Allocation of shares to the Managing Director under the Loan Funded Share Plan

Votes may not be cast, and the Bank will disregard any votes cast, on the resolution proposed in Item 6:

- by or on behalf of Ms Baker or any of her associates; or
- as a proxy by a person who is a member of the Bank's KMP at the date of the meeting or their closely related parties,

unless the vote is cast:

- as proxy for a person entitled to vote in accordance with a direction on the proxy form; or
- by the Chair of the meeting as proxy for a person entitled to vote and the Chair has received express authority to vote undirected proxies as the Chair decides even though Item 6 is connected with the remuneration of a member of the Bank's KMP; or

- by a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

- the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
- the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

### Item 7 - Grant of Performance Rights to the Managing Director under the Omnibus Equity Plan

Votes may not be cast, and the Bank will disregard any votes cast, on the resolution proposed in Item 7:

- by or on behalf of Ms Baker or any of her associates; or
- as a proxy by a person who is a member of the Bank's KMP at the date of the meeting or their closely related parties,

unless the vote is cast:

- as proxy for a person entitled to vote in accordance with a direction on the proxy form;
- by the Chair of the meeting as proxy for a person entitled to vote and the Chair has received express authority to vote undirected proxies as the Chair decides even though Item 7 is connected with the remuneration of a member of the Bank's KMP; or
- by a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
  - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

### Item 8 - Approval of selective capital reduction schemes in respect of Convertible Preference Shares 3 (CPS3)

Subject to the exclusions noted below, all holders of ordinary shares, Convertible Preference Shares 2 issued by the Bank in October 2014 (**CPS2**), Convertible Preference Shares 3 issued by the Bank in June 2015 (**CPS3**) and Converting Preference Shares 4 issued by the Bank in December 2017 (**CPS4**) are eligible to attend the AGM and vote on the resolutions in Items 8(a) and 8(b).

However, under the *Corporations Act 2001* (Cth) the Bank is required to disregard any votes cast in favour of the resolutions in Items 8(a) and 8(b) by a person who is to receive consideration as part of the capital reduction (ie, a holder of CPS3) or by their associates. These voting restrictions apply not only to that

person's CPS3 holdings but also to their other shareholdings in the Bank (including ordinary shares, CPS2 and CPS4).

The table below sets out how you may vote on the resolutions in Items 8(a) and 8(b) depending on your holding of ordinary shares, CPS2, CPS3 and CPS4:

If you hold:	You can vote in the following way on items 8(a) and 8(b):
Ordinary shares only	For, against, abstain
Ordinary shares, and CPS2 and / or CPS4	
CPS2 and / or CPS4 only	Against or abstain
Ordinary shares, and CPS3	
Ordinary shares, and CPS3, and CPS2 and / or CPS4	
CPS3 only	
CPS3, and CPS2 and / or CPS4	

#### Item 9 - Approval of share issue under institutional placement

Votes may not be cast, and the Bank will disregard any votes cast, on the resolution proposed in Item 9 by:

- any person who participated in the issue of shares the subject of the resolution proposed in Item 9; and

- an associate of any of those persons.

unless the vote is cast:

- by a person as a proxy for a person who is entitled to vote in accordance with a direction on the proxy form; or
- by the Chair of the meeting as proxy for a person entitled to vote and the Chair has received express authority to vote undirected proxies as the Chair sees fit; or
- by a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
  - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

For the purposes of the above voting exclusions:

- Key Management Personnel** or **KMP** has the meaning given to key management personnel in the *Corporation Act 2001* (Cth) and the Accounting Standards;
- closely related party** has the meaning given in the *Corporations Act 2001* (Cth); and
- associate** has the meaning given in the ASX Listing Rules.

Each of 'closely related party' and 'associate' include a spouse and certain close family members, and well as any related companies controlled by KMP.

For more information and instructions for voting on the above resolutions please see the Explanatory Notes and further information about the meeting in this Notice of Meeting.

By Order of the Board

Carmen Lunderstedt  
Company Secretary  
7 September 2020

# Explanatory notes - Resolutions

This information has been included to assist you in making an informed decision about the resolutions to be proposed at the AGM.

## 1. Financial statements

The Bank's 2020 Annual Financial Report (which includes the Financial Report, the Directors' Report and the Auditor's Report) for the financial year ended 30 June 2020 is available at: [https://www.bendigoadelaide.com.au/public/shareholders/annual\\_reports.asp](https://www.bendigoadelaide.com.au/public/shareholders/annual_reports.asp).

The Annual Financial Report is presented to the AGM as required by the Corporations Act 2001, but there is no requirement for shareholders to approve the Annual Financial Report. Accordingly, there is no vote on this item of business.

Shareholders will have a reasonable opportunity to ask questions about, or make comments on, the Annual Financial Report and the management of the Bank at the AGM. The Chair will also allow a reasonable opportunity for shareholders to ask questions to the external auditor relevant to the conduct of the audit, the preparation and content of the Auditor's Report, the accounting policies adopted by the Bank in relation to the preparation of the Annual Financial Report and the independence of the external auditor.

In addition to the opportunity to ask questions at the AGM, written questions to the external auditor about the content of the Auditor's Report and the conduct of the audit of the Annual Financial Report may be submitted up to the date that is five business days before the AGM using any of the methods set out in the voting information section below. The questions will be passed on to the external auditor. In addition, a reasonable opportunity will be allowed at the AGM for the external auditor or its representative to answer the questions that have been submitted.

## 2. Re-election of Ms Jacqueline Hey as a director

Ms Hey was appointed as an independent, non-executive director of the Bank on 5 July 2011 and was appointed Chair of the Board on 29 October 2019. Ms Hey has significant experience in information technology, telecommunications, finance, risk management and marketing including from her role as CEO/Managing Director of Ericsson in the UK/Ireland and in Australia/NZ. Ms Hey worked with Ericsson for more than 20 years in leadership roles in Australia, Sweden, the UK and the Middle East. Her exceptional experience brings valuable insight to the Board. She currently serves as a Director of Qantas Airways Limited, AGL Energy Limited and Cricket

Australia and is a member of the Brighton Grammar School Council. In addition to her role as Chair of the Board, Ms Hey is a member of the Board Governance and Human Resource Committee and the Board Technology Committee.

Further details of Jacqueline's qualifications, experience and other information relevant to her re-election are provided in the Directors' Report section of the 2020 Annual Financial Report.

**Recommendation:** *The Board (with Ms Hey abstaining) unanimously recommends that shareholders vote in favour of this resolution.*

## 3. Re-election of Mr Jim Hazel as a director

Mr Hazel was appointed as an independent, non-executive director of the Bank on 1 March 2010. Before joining the Board, he had an extensive career in banking, finance and risk management, including in the regional banking industry and this broad experience is of ongoing benefit to the Board. Mr Hazel is a member of the Board Credit Committee and Risk Committee. Mr Hazel currently serves as Chair of Ingenia Communities Group Limited, and a director of Adelaide Football Club Limited and Coopers Brewery Limited. He is also Chair of the Adelaide Festival Centre Trust and the Pro Chancellor of the University of South Australia.

Further details of Mr Hazel's qualifications, experience and other information relevant to his re-election are provided in the Directors' Report in the 2020 Annual Financial Report.

**Recommendation:** *The Board (with Mr Hazel abstaining) unanimously recommends that shareholders vote in favour of this resolution.*

## 4. Election of Mr Anthony Fels as a director

In accordance with Rule 72.5 of the Bank's constitution, Mr Anthony Fels offers himself for election as a director of the Bank. Mr Fels is not presently a director of the Bank and, after consideration of his candidacy, is not endorsed by the Board. Further information is set out below.

### Board assessment *Fitness and Propriety*

The Bank is regulated by the Australian Prudential Regulation Authority (APRA). The Board has approved a Responsible Person Policy in accordance with APRA's prudential standard, CPS 520 – Fit and

Proper (**CPS 520**). This policy sets the criteria, in accordance with CPS 520, which the Board uses to determine whether a potential new director is 'fit and proper' to hold the position as a responsible person. The criteria includes whether:

- the person possesses the competence, character, diligence, honesty, integrity and judgement to perform properly the duties of the responsible person position;
- the person is not disqualified under an applicable "Prudential Act" from holding the position; and
- the person either has no conflict of interest in performing the duties of the responsible person position; or if they do, the conflict will not create a material risk that the person will fail to perform properly the duties of the position.

In addition, the Board is required to undertake due diligence on a potential new director to be able to make an assessment as to that person's background including a criminal record check, bankruptcy check, and APRA disqualification check.

#### **Skills, knowledge, experience and attributes**

The Board's policy on the appointment, re-election, independence, renewal, performance and remuneration of directors requires the Board make an assessment of each of the following prior to appointing a new director:

- the collective skills, knowledge, experience and attributes necessary to deliver the strategy of the Bank;
- the skills, knowledge, experience and attributes of current directors;
- any skills, knowledge and experience not adequately represented by current directors; and
- benefits to be derived from diversity of thinking.

#### **Outcome of assessment**

The Board has considered the nomination by Mr Fels of himself and considers that it is not in the best interests of shareholders for Mr Fels to be elected as a director of the Bank and, therefore, recommends that shareholders vote against his nomination.

This reflects the Board's view that:

- the Board is of an appropriate size to enable it to discharge its duties effectively and as such, there is no need to add further directors to the Board;
- Mr Fels' skills, experience, knowledge and attributes are adequately represented collectively by directors on the Board; and
- the two directors standing for re-election at the AGM bring the desired skills, experience, knowledge, attributes and cultural traits needed, ahead of that offered by Mr Fels, to progress the Bank's strategy, to support the Bank's management team in the execution of the Bank's strategy, and to act in the best interests of the Bank as a whole.

The Board has undertaken its assessment based on information provided by Mr Fels and following a phone interview with him. At the time of the

publication of this Notice of Meeting, Mr Fels has not provided a valid National Police Check certificate in accordance with the Bank's Responsible Persons Policy. Accordingly, at this time, the Board is unable to make a determination that Mr Fels is fit and proper to hold the position as a responsible person of the Bank.

#### **Statement by Mr Fels**

The following statement is based on information provided by Mr Fels with his nomination, which has not been independently verified by the Bank.

*Hon. Anthony Fels is an experienced executive Director, farmer and retired Member of Parliament.*

*Anthony has worked in Commercial and Rural Lending, and credit management with the Primary Industry Bank of Australia (PIBA) prior to its acquisition by Rabobank.*

*He has a strong rural background gained from a lifetime involvement with farming wheat, barley, canola, oats, lupins, cattle sheep & pigs. He has also owned a large Rural Vet practice and animal health supplier servicing intensive livestock producers and exporters throughout Australia.*

*He was elected to the Western Australian State Parliament for the Liberal Party on his 3rd attempt in 2005 when he was appointed Shadow Minister for Consumer Affairs, and later Regional Development, before resigning to become an Independent. He served as an opposition MP under WA Premiers Geoff Gallop, Allan Carpenter, 4 Liberal opposition leaders, and finally Premier Colin Barnett. He has exceptional experience in Consumer Affairs, Audits, and Financial Estimates Committees.*

*He has been a good customer of Rural Bank since 2006 however he intends to immediately refinance this loan when he is elected to the Board.*

*He is also Chairman of Helping All Little Ones Inc. (HALO) – a registered children's charity which he established in 1997.*

**Recommendation: The Board recommends that shareholders vote against this resolution.**

## **5. Remuneration Report**

The Annual Financial Report for the financial year ended 30 June 2020 contains a Remuneration Report which provides an overview of the Bank's remuneration policies and arrangements that were in place for the directors and other key management personnel.

A copy is available at: [https://www.bendigoadelaide.com.au/public/shareholders/annual\\_reports.asp](https://www.bendigoadelaide.com.au/public/shareholders/annual_reports.asp).

A reasonable opportunity will be provided for discussion of the Remuneration Report at the AGM before members are asked to vote to adopt the Remuneration Report.

The vote on this resolution is advisory only and does not bind the Bank or its directors. However, the Board will take the outcome of the vote into consideration when reviewing the remuneration practices and policies of the Bank.



A company that receives 'no' votes of 25 percent or more against the Remuneration Report at two successive AGMs must then put a "board spill" resolution to shareholders.

**Recommendation:** *Noting that each director has a personal interest in their own remuneration from the Bank, as described in the Remuneration Report, the Board unanimously recommends that shareholders vote in favour of this resolution.*

### **Background for the Equity Grants for the Managing Director (Items 6 & 7)**

*Changes to the executive remuneration framework for FY21*  
During FY2020 the Bank's Governance and Human Resources Committee reviewed the Bank's approach to executive remuneration. Historically, the Bank's approach to executive remuneration has been generally well received by shareholders and has supported the Bank's collective and risk-focused culture. However, as the Bank's strategy evolves and it faces regulatory and market changes, there is also a need for the remuneration framework to change to support our future growth whilst maintaining our modest, collective and risk-focused culture principles.

In reviewing the executive remuneration framework, the key objectives were to:

1. Closely align the framework with the Bank's strategic imperatives to drive performance in areas that will create sustainable long term shareholder value - the Bank has a significant transformation agenda that will require the Bank to reduce its cost base, while continuing to grow market share and maintaining our customer advocacy advantage.
2. Create a framework that supports the Bank's culture of sharing in collective success - outcomes under the framework are directly linked with the shareholder experience so that executives are encouraged to think and act like owners.
3. Address evolving regulatory change - to support the Bank's existing strong risk culture and provide for longer deferrals and clawback in line with the Banking Executive Accountability Regime (**BEAR**) and APRA's evolving requirements.

To meet these objectives, under the framework for the financial year ending 30 June 2021 (**FY21**) executives will not participate in the Company's short-term incentive program and their variable reward will consist entirely of long term equity grants, made up of two components, each vesting over 4 years as follows:

- Loan funded shares issued under a new Loan Funded Share Plan - a new equity incentive plan with the shares subject to 2 year performance measures that are linked to delivery of the Bank's strategy, a 4 year service condition and a risk gateway at the end of year 4.
- Performance Rights issued under a new Omnibus Equity Plan - a new long term equity incentive plan with the performance rights subject to a 4 year relative total shareholder return performance measure.

This new framework is consistent with Bank's long

held view that remuneration structures which are weighted towards short-term and individually focussed performance are incompatible with the Bank's strategy, and risk poor culture and behaviour. By removing the cash short-term incentive, the new executive framework is focussed on long term, sustainable shareholder returns. Further information regarding the new framework can be found in the Remuneration Report.

It should be noted that while the deferred base pay arrangements for other executives will change, there are no changes to Ms Baker's historical deferred base pay arrangements. Ms Baker was granted 200,000 deferred shares in 2018, following her appointment as Managing Director and CEO. This grant was effectively 4-years of deferred base pay, and therefore those arrangements will not be reviewed until 2022.

#### **Key terms of Ms Baker's remuneration**

Ms Baker's remuneration for FY21 consists of:

1. Total fixed remuneration of:
  - a. total fixed cash remuneration (including superannuation) of \$1,200,000; and
  - b. the third tranche of 50,000 deferred shares granted in 2018, with a notional value of \$500,000.
2. Variable remuneration comprising of:
  - a. an allocation of shares of \$2,550,000, together with a provision of a loan for that amount, under the Loan Funded Share Plan; and
  - b. a grant of performance rights under the Omnibus Equity Plan with a value of \$255,000.

#### **How were the variable reward opportunities determined?**

The Loan Funded Share Plan Loan value has been set as 150% of Ms Baker's total fixed remuneration of \$1,700,000. The total fixed remuneration is calculated as her fixed cash remuneration of \$1,200,000 and a notional value of \$500,000 for her deferred base pay grant.

This Loan Funded Share Plan grant size was set having regard to:

- the prior year's short-term incentive opportunity (being, \$400,000); and
- 50% of the prior year's long-term incentive grant size (being, \$500,000), (together, the **LFSP Incentive Opportunity**).

It should be noted that the long-term incentive in each of the previous two years had been 50,000 performance rights per year. This amount had been set with reference to a grant value of \$539,000 and, for the purposes of the implementing the new executive remuneration framework, the Bank has assumed a grant size of \$500,000.

The Board determined LFSP loan value of \$2,550,000, calculated as 150% of total fixed remuneration was a reasonable equivalent to the \$400,000 short term incentive and \$250,000 long term incentive Ms Baker is forgoing to participate in the LFSP. To determine LFSP loan value amount the Board has applied a multiple of 392x to the Managing Director's LFSP Incentive Opportunity - ie 392 x (\$400,000 + \$250,000).

The multiple considers that the LFSP is like a share option plan. If the performance conditions are met and the shares vest, the value to Ms Baker is only the shareholder returns

generated over the period (ie share price growth and dividends). In determining the multiple of 392 x the Board also considered market practice and an indicative Black-Scholes fair value calculation of the loan shares.

The performance rights value has been set at 15% of Ms Baker's total fixed remuneration. This is approximately half the value of the prior year long term incentive grant. Performance rights are allocated using a face value approach.

#### *Historical grants*

ASX Listing Rule 10.14 provides that a company must not permit (among others) a director to acquire equity securities under an employee incentive scheme without shareholder approval unless the securities are purchased on market under the terms of the scheme. Accordingly, shareholders are being asked to approve the proposed allocation of loan funded shares (Item 6) and grant of performance rights (Item 7) to the Managing Director, Ms Baker.

The Bank may satisfy its obligation to deliver shares under these new plans by issuing new shares or acquiring the shares on-market. While the Bank has not yet made any decision to issue shares or acquire shares on-market to satisfy its obligation to deliver shares in respect of the loan funded shares and/or the performance rights, shareholder approval under ASX Listing Rule 10.14 is being sought to provide the Bank with the flexibility to issue new shares if it determines it is appropriate to do so. Details of any shares issued will be published in the annual financial report relating to the period in which they were issued, along with a statement that approval for the issue was obtained under ASX Listing Rule 10.14.

Any additional persons covered by ASX Listing Rule 10.14 who become entitled to participate in an issue of securities under the Loan Funded Share Plan or the Omnibus Equity Plan after the resolutions in Items 6 and 7 are approved and who are not named in those resolutions will not participate in the Loan Funded Share Plan or the Omnibus Equity Plan unless and until approval is obtained under ASX Listing Rule 10.14.

If the proposed allocation of loan funded shares (Item 6) and/or grant of performance rights (Item 7) are not approved by shareholders, the Bank will only be able to satisfy its obligation to deliver shares by acquiring the shares on-market. In those circumstances, the Board may need to consider alternative remuneration arrangements for Ms Baker that are consistent with the Bank's remuneration principles, such as providing Ms Baker with a long term cash incentive subject to the same performance conditions and performance as described below.

#### **6. Allocation of shares to the Managing Director under the Loan Funded Share Plan**

##### *Overview*

As noted above, the Bank has introduced a Loan Funded Share Plan (**LFSP**) as part of its executive remuneration strategy for FY21. Under the LFSP, eligible executives are provided with a non-recourse loan for the sole purpose of acquiring fully paid ordinary shares in the Bank (**Shares**).

The LFSP facilitates immediate share ownership by the executives and links a significant proportion of their 'at-risk' remuneration to the Bank's Share price and returns to shareholders over the relevant 4 year period. The LFSP drives value for shareholders because it focuses executives on the key enterprise performance drivers, and because the value delivered to the executives is only the shareholder return over the period.

The Board believes the LFSP promotes behaviour that will achieve superior performance over the long term. Importantly, the LFSP focuses participants on delivery of the Bank's strategic imperatives, while ensuring participants are only rewarded if this leads to Share price growth. The group-focused performance conditions and risk adjustment mechanisms provide for a collective focus, effectively balancing customer and risk outcomes against shareholder returns.

A summary of Ms Baker's FY21 LFSP offer is set out below. Further details of Ms Baker's remuneration package, and the LFSP, are set out above and in the Remuneration Report in the [2020 Annual Financial Report](#).

##### *Entitlement under the FY21 LFSP Offer*

For the purposes of ASX Listing Rule 10.14, shareholders are asked to approve the allocation of Shares with a value of \$2,550,000, together with a loan for that amount (the **LFSP Loan Value**), to Ms Baker under her FY2021 LFSP offer as part of her long term incentive arrangements.

##### *Overview of the proposed grant*

The LFSP loan is a non-recourse, interest free loan from the Bank for the sole purpose of acquiring Shares under the LFSP.

Any dividends or other distributions paid on the Shares while the Shares are restricted are applied (on a notional after-tax basis) towards repaying the loan. The balance of the dividend or distribution is paid directly to Ms Baker to fund her tax liability on the dividend or distribution received.

Shares allocated under the LFSP are subject to a 4 year vesting period and satisfaction of the following conditions:

- At the end of the initial 2 years, the Performance Conditions (see further detail below) are tested.
- After testing, the Shares remain restricted until the end of the 4 year period and are subject to an assessment against an overall risk gateway at the end of the 4 year period before vesting.
- Ms Baker must remain employed with the Group for the duration of the 4 year period.

The vesting and the lifting of the restriction are subject to the discretion of the Board to determine otherwise, and who may use their discretion to ensure appropriate alignment of remuneration

outcomes with performance.

If at the end of the 2 year testing period the Performance Conditions applicable to any Shares are not satisfied, or at the end of the 4 year vesting period the risk gateway is not passed, the relevant Shares will be surrendered and forfeited in full settlement of the loan balance applicable to those Shares and no benefit accrues to Ms Baker in respect of those Shares.

If at the end of the 2 year testing period the Performance Conditions applicable to any Shares are satisfied and at the end of the 4 year vesting period the risk gateway is passed and the restriction is removed, Ms Baker must repay the LFSP loan balance applicable to those Shares, either directly or by applying the proceeds from the sale of some or all of the relevant Shares to repay the loan within

a further 2 year period (ie, the loan term is for a total of 6 years). Clawback provisions (see further detail below) apply for 6 years after the grant (ie to the end of the maximum loan term).

As this is a non-recourse loan, if the outstanding LFSP loan balance applicable to any Shares is greater than the value of those Shares at the end of the 4 year vesting period, the Shares will be surrendered and forfeited in full settlement of the loan balance and no benefit accrues to Ms Baker in respect of those Shares.

***What are the performance conditions and vesting periods?***

The performance period is 2 years and a further 2 year restriction and risk gateway apply before Shares vest.

FY21 LFSP Shares will be granted in 3 tranches, each subject to a different performance condition:

	Weighting	LFSP Loan Value	Performance Period	4 Year Vesting and Restriction Period
Cost to Income ratio ( <b>CTI ratio</b> )	50%	\$1,275,000		
Market growth	25%	\$637,500	1.07.2020 to 30.06.2022	1.07.2020 to 30.06.2024
Customer Advocacy - relative NPS	25%	\$637,500		

The performance target for each tranche will be measured independently, and the target for a tranche must be met or exceeded in order for the Shares the subject of that tranche to vest. The CTI ratio and the Market growth targets are set in line with the Bank's strategic plan and will be explained retrospectively at the end of the 2 year performance period.

To satisfy the CTI ratio target the Bank is required to make significant improvements in the Bank's CTI Ratio, consistent with the Bank's stated objective of lowering its CTI to 50% over the medium term.

To satisfy the Market growth target the Bank is required to grow its deposits and loans faster than system and increase its market share.

To satisfy the Customer Advocacy - relative NPS - target, the Bank's Net Promoter Score over the performance period (measured using a six-month rolling average) must be 20 points greater than the average performance of a peer group of Australian Banks.

The LFSP structure and the fact that executives must repay the loan, means that if the hurdles are met and the shares vest, executives only receive the shareholder returns generated over the period.

***Trading restrictions***

The Shares are restricted until the end of the 4 year period. During this time, Ms Baker will not be able to sell any of the Shares.

***How many loan funded shares will be granted and what is their value***

The number of Shares to be allocated to Ms Baker will be determined by dividing the LFSP Loan Value by the volume weighted average price Shares sold on the ASX over a trading period prior to allocation.

If shareholder approval is obtained, it is expected that Shares will be allocated to Ms Baker on 4 November 2020, but in any event no later than 3-months after the meeting.

The Board believes that equity based long-term incentives are important to ensure an appropriate part of the executive's reward is linked to generating long-term returns for shareholders.

***Clawback/Malus***

In accordance with the Bank's clawback policy, the Board has broad discretion to ensure that, amongst other things, no unfair benefit is derived by any LFSP participant in the case of a material misstatement of financial results or serious misconduct by a participant. Reputation and conduct matters are also considered under the policy. This includes discretion to reduce or forfeit unvested awards, reset or alter the performance conditions applying to the applicable award or require the repayment of any vested awards.

### *Cessation of employment*

If Ms Baker's employment ends prior to the end of the 4 year vesting period due to her resignation or the Bank ends her employment due to fraud, dishonesty, breach of legal duties or serious misconduct, all her Shares will be forfeited and surrendered in full settlement of the loan balance.

If Ms Baker's employment ends due to death, disablement, bona fide redundancy or by agreement with the Bank during the 4 year vesting period, her unvested Shares will remain on foot to be tested against the applicable performance conditions at the same time as for continuing participants. To the extent Shares vest, the loan must be repaid within 12 months from the end of the 4 year vesting period.

Notwithstanding the above, the Board has discretion to treat Ms Baker's LFSP Shares and the LFSP loan in a different manner to that set out above, subject to compliance with applicable law.

### *Additional information*

The loan funded Shares form part of the Managing Director's remuneration. Therefore no price is payable by the Managing Director for the allocation of the grant.

The non-executive directors consider the proposed remuneration arrangements for the Managing Director, including the proposed allocation of Shares under the LFSP, to be reasonable and appropriate having regard to the Bank's circumstances and the duties and responsibilities of the Managing Director.

***Recommendation: The non-executive directors unanimously recommend that shareholders vote in favour of this resolution. Ms Baker has a material personal interest in the resolution and, therefore, has abstained from providing a recommendation.***

## **7. Grant of Performance Rights to the Managing Director under the Omnibus Equity Plan**

### *Overview*

As noted above, the Bank has introduced an Omnibus Equity Plan as part of its executive remuneration strategy for FY21. Under the Omnibus Equity Plan, eligible executives are granted performance rights (**Performance Rights**). Each Performance Right represents the right to receive one Share subject to the satisfaction of any vesting and exercise conditions that the Board determines should apply to the Performance Rights. The Board can elect to satisfy any vesting through the allocation of shares or with an equivalent cash payment.

The Performance Rights are granted at no cost, and the exercise price is nil. Before vesting, the Performance Rights do not carry any dividend or voting rights or the right to participate in the issue of new shares (such as rights or bonus issues).

The issue of Performance Rights under the Omnibus Equity Plan links a proportion of an executive's 'at-risk' remuneration to the Bank's Share price and returns to shareholders over the relevant 4 year period.

The Omnibus Equity Plan is designed to encourage executives to focus on striving for the Bank to achieve outstanding performance compared to the broader ASX 100 market.

The Board believes the Omnibus Equity Plan promotes behaviour that will achieve superior performance over the long term.

A summary of the proposed grant of Performance Rights to Ms Baker in respect of FY21 is set out below. Further details of Ms Baker's remuneration package, and the Omnibus Equity Plan, are set out above and in Section 8 of the Remuneration Report in the 2020 Annual Financial Report.

### *Overview of proposed grant*

The Board is proposing a grant of 36,376 Performance Rights to be issued as soon as practicable after the 2020 Annual General Meeting, and in any event no less than 12 months after the date of the 2020 Annual General Meeting.

The number of rights has been determined based on the grant value of \$255,000 divided by the 5-day volume weighted average share price prior to 1 July 2020 of \$701.

The grant of Performance Rights will be subject to a "**relative TSR Hurdle**". More information on the relative TSR Hurdle is provided below.

The grant of Performance Rights will also be subject to the following:

- a service condition; and
- a risk adjustment, with any adjustment the Board decides to make to take into account the outcomes of business activities, the risks related to the business activities and the time necessary for the outcomes of those business activities to be reliably measured.

### *What are the vesting conditions?*

The Performance Rights are subject to a relative TSR Hurdle vesting condition, which is to be tested at the end of the 4 year vesting period that runs from 1 July 2020 to 30 June 2024. For this purpose, **TSR** is a reference to 'Total Shareholder Return', being (in this case) the increase in the Share price over the 4 year vesting period, plus the dividends paid on Shares over that period (on the assumption that they are reinvested in Shares).

Subject to the other conditions and the Board discretions described below, if the Bank's TSR performance over the 4 year vesting period is:

- at or below the median TSR performance of a peer group consisting of the ASX100 Companies (excluding property trusts and resources) over the same period, the Performance Rights will not vest;
- above the median but below the 75th percentile of the same peer group's TSR performance over the same period, there will be straight-line vesting of the Performance Rights in accordance with the table below; or
- at or better than the 75th percentile of the same peer group's TSR performance over the same

period, all of the Performance Rights will vest.

TSR performance against peer group	Percentage of performance rights that vest
At or below the 50%	0%
At 50.1%	60%
Between the 50.1% and 75%	Straight-line vesting: · starting at 60%; and · reaching 100% at the 75th percentile.
Above the 75th percentile	100%

The Performance Rights are also subject to a service condition that requires that the Managing Director continues to be employed with the Bank at the end of the 4 year vesting period. Except as explained below, if the service condition is not met, the Performance Rights will not vest irrespective of the outcome of the testing under the relative TSR Hurdle vesting condition described above, unless the Board exercises its discretion otherwise.

On vesting, Ms Baker will be allocated one Share for each Performance Right that vests, notwithstanding the Board has the discretion to settle the award with a cash payment. Any Performance Rights that do not vest will lapse.

In addition to the adjustments described above, the Board may make any additional risk adjustment to take into account the outcomes of business activities, the risks related to the business activities and the time necessary for the outcomes of those business activities to be reliably measured.

The vesting is also subject to the discretion of the Board to determine otherwise, and who may use their discretion to ensure appropriate alignment of remuneration outcomes with performance.

#### *Is there retesting?*

No, there is no retesting. If the relative TSR Hurdle performance condition is not met the Performance Rights will lapse.

#### *Clawback/Malus*

In accordance with the Bank's clawback policy, the Board has broad discretion to ensure that, amongst other things, no unfair benefit is derived by any Omnibus Equity Plan participant in the case of a material misstatement of financial results or serious misconduct by a participant. Reputation and conduct matters are also considered under the policy. This includes discretion to reduce or forfeit unvested awards, reset or alter the performance conditions applying to the applicable award or require the repayment of any vested awards.

#### *Cessation of employment*

If Ms Baker's employment ends prior to the end of the 4 year vesting period due to her resignation or the Bank ends her employment due to fraud, dishonesty,

breach of legal duties or serious misconduct, all her Performance Rights will lapse.

If Ms Baker's employment ends due to death, disablement, bona fide redundancy or by agreement with the Bank during the 4 year vesting period, the service condition will be waived and her Performance Rights will remain on foot to be tested against the "relative TSR Hurdle" performance condition at the same time as for continuing participants.

Notwithstanding the above, the Board has discretion to treat Ms Baker's Performance Rights in a different manner to that set out above, subject to compliance with applicable law.

#### *Additional information*

The Performance Rights form part of the Managing Director's remuneration. Therefore no price is payable by the Managing Director for the allocation of the grant.

The non-executive directors consider the proposed remuneration arrangements for the Managing Director, including the proposed grant of Performance Rights under the Omnibus Equity Plan, to be reasonable and appropriate having regard to the Bank's circumstances and the duties and responsibilities of the Managing Director.

***Recommendation: The non-executive directors unanimously recommend that shareholders vote in favour of this resolution. Ms Baker has a material personal interest in the resolution and, therefore, has abstained from providing a recommendation.***

## **8. Approval of selective capital reduction schemes in respect of Convertible Preference Shares 3 (CPS3)**

As an Authorised Deposit-taking Institution, the Bank is required to maintain minimum levels of regulatory capital in accordance with the prudential standards issued by APRA. From time to time the Bank issues a number of different instruments to satisfy the various elements of its regulatory capital requirements, including instruments that constitute "Additional Tier 1 Capital".

Currently the Bank has three classes of convertible preference shares on issue which constitute Additional Tier 1 Capital – namely, Convertible Preference Shares 2 issued in October 2014 (**CPS2**), Convertible Preference Shares 3 issued in June 2015 (**CPS3**) and Converting Preference Shares 4 issued in December 2017 (**CPS4**).

Each of these classes of convertible preference shares is subject to terms and conditions which require the Bank, subject to certain conditions, to convert the convertible preference shares into ordinary shares in the Bank on a specified mandatory conversion date. Those terms and conditions also allow the Bank to repay the face value of those convertible preference shares in certain circumstances (subject to certain conditions, including obtaining prior approval from APRA) prior to their mandatory conversion date.

The purpose of the resolutions proposed in Items 8(a) and 8(b) (the **CPS3 Capital Reduction Resolutions**) is to provide the Bank with flexibility as to how it manages its capital and, in particular, it gives the Bank flexibility to repay the face value of the CPS3, if it decides to do so prior to their mandatory conversion date.

Approval is being sought for the following two capital reduction schemes relating to the CPS3 (the **CPS3 Capital Reduction Schemes**):

- Under Item 8(a) approval is being sought for the First Capital Reduction Scheme, which involves a capital reduction in respect of the CPS3 in accordance with the terms of the CPS3.
- Under Item 8(b) approval is being sought for the Second Capital Reduction Scheme, which involves a capital reduction in respect of the CPS3 outside of the terms of the CPS3 but otherwise in accordance with the Corporations Act.

A combination of one or more of the CPS3 Capital Reduction Schemes could be used and implemented at different times for up to 100% of the CPS3 in issue. Each CPS3 Capital Reduction Scheme, if approved, would be conducted as a selective capital reduction.

Further detail on the CPS3 Capital Reduction Schemes is provided below. The terms of the CPS3 (the **CPS3 Terms**) are set out in the CPS3 Prospectus dated 5 May 2015 which is available at <https://www.bendigoadelaide.com.au/shareholders/prospectus.asp>.

Equivalent resolutions approving similar capital reduction schemes in respect of the CPS2 were approved by shareholders at the 2019 Annual General Meeting.

Unless otherwise defined, capitalised terms in these Explanatory Notes regarding the CPS3 Capital Reduction Resolutions have the same meaning as in the CPS3 Terms.

#### **Background**

On 15 June 2015, the Bank issued 2,822,108 CPS3 at an issue price of A\$100 each, raising approximately A\$282.2 million.

Under the CPS3 Terms, if not Exchanged or Redeemed earlier (and subject to the satisfaction of the Mandatory Conversion Conditions set out in the CPS3 Terms), the CPS3 will mandatorily Convert into ordinary shares in the Bank on the Mandatory Conversion Date (being 15 June 2023). If the Mandatory Conversion Conditions are not met on this date, the CPS3 will Convert into ordinary shares in the Bank on the first Dividend Payment Date after 15 June 2023 on which the Mandatory Conversion Conditions are satisfied.

#### **What are the CPS3 Capital Reduction Schemes?**

The CPS3 Capital Reduction Schemes, described in more detail below, are selective capital reduction proposals that will provide the Bank with flexibility as to

how to repay the face value of the CPS3, if it decides to do so prior to the Mandatory Conversion Date.

No decision has been made by the Board to undertake a capital reduction in respect of the CPS3 under any of the CPS3 Capital Reduction Schemes.

#### **First Capital Reduction Scheme – on the Optional Exchange Date (Item 8(a))**

The resolution in Item 8(a) seeks approval for the Bank to Redeem by way of a capital reduction up to 100% of the CPS3 on the Optional Exchange Date of 15 June 2021 (the **First Capital Reduction Scheme**).

Under the CPS3 Terms, the Bank may elect to Redeem some or all of the CPS3 on the Optional Exchange Date, in which case the Bank will pay to the CPS3 holders, for each of their relevant CPS3, a cash amount equal to the face value of A\$100 plus any Dividend payment for the period from (and including) the previous Dividend Payment Date until (but excluding) the Optional Exchange Date (subject to payment conditions) (together, the **Redemption Price**). Redemption of the CPS3 can be effected by way of a capital reduction, buy-back or redemption (or combination thereof). The capital reduction component of any Redemption would be up to but not greater than A\$100.

If the First Capital Reduction Scheme is approved (and APRA's prior written approval of the First Capital Reduction Scheme has been obtained), the Bank will have the option to Redeem by way of a capital reduction up to 100% of the CPS3 on the Optional Exchange Date. Any decision to do so will be notified to CPS3 holders in an Exchange Notice delivered in accordance with the CPS3 Terms.

#### **Second Capital Reduction Scheme – before the Optional Exchange Date (Item 8(b))**

The resolution in Item 8(b) seeks approval for the Bank to undertake a selective capital reduction in respect of up to 100% of the CPS3 at any time before the Optional Exchange Date (the **Second Capital Reduction Scheme**).

If the Second Capital Reduction Scheme is approved (and APRA's prior written approval of the Second Capital Reduction Scheme has been obtained), the Bank can make offers outside of the CPS3 Terms to all or some holders of CPS3 to participate in a capital reduction in respect of up to 100% of their CPS3 before the Optional Exchange Date. Any offer to participate in the Second Capital Reduction Scheme will be made in writing, and CPS3 holders who wish to accept the offer must do so in writing by the deadline specified in the offer.

Any offer to participate in the Second Capital Reduction Scheme will be made on the following key terms:

- A CPS3 holder can accept the offer to participate in the Second Capital Reduction Scheme for all or some of their CPS3.
- On a date to be specified by the Bank (which will be before the Optional Exchange Date), the Bank will pay to the CPS3 holder, for each of their relevant CPS3, a cash amount up to

but no greater than the Redemption Price (but calculated as at the date of Redemption, not the Optional Exchange Date) and the capital reduction component would be up to but not greater than A\$100 per CPS3.

Capital reductions under the Second Capital Reduction Scheme may be conducted in multiple tranches, at the times determined by the directors or as agreed with the relevant CPS3 holders, at the applicable price (as described above) and at the relevant time (which may differ between the different tranches).

***Why is shareholder approval being sought?***

The Bank is seeking flexibility to manage its capital base. Approval of the CPS3 Capital Reduction Resolutions will give the Bank this flexibility.

Under the Corporations Act, the CPS3 Capital Reduction Schemes require the approval of the Bank's shareholders (subject to voting restrictions). The Bank has decided it is best to seek this shareholder approval at the AGM rather than hold a separate extraordinary general meeting.

Any shareholder approval of the CPS3 Capital Reduction Resolutions does not limit the other methods in which the Bank could Redeem the CPS3 (if at all) or affect any of the Bank's other rights under the CPS3 Terms (including the ability Convert the CPS3, and to Resell CPS3 to a Nominated Purchaser under the CPS3 Terms prior to any Redemption or Conversion).

***Will any capital reduction of CPS3 take place?***

No decision has been made by the Board to undertake a capital reduction in respect of the CPS3 under any of the CPS3 Capital Reduction Schemes.

If the CPS3 Capital Reduction Resolutions are approved by shareholders, the Board will only proceed with a capital reduction under any of the CPS3 Capital Reduction Schemes if it considers that it will be in the best interests of the Bank, it would not materially prejudice the Bank's ability to pay its creditors and is fair and reasonable to the Bank's shareholders as a whole, and any such decision would be subject to APRA's prior written approval. This may depend, among other things, on the Bank's financial and capital position, conditions in domestic and international markets and changes in the prudential regulation of the Bank.

***What are the advantages of approving the CPS3 Capital Reduction Resolutions?***

Approval of the CPS3 Capital Reduction Resolutions will give the Bank flexibility to manage its capital position, including to repay the face value of the CPS3 at a future time, without needing to convene an extraordinary general meeting solely to approve the repayment method.

***What are the disadvantages of approving the CPS3 Capital Reduction Resolutions?***

A potential disadvantage of approving the CPS3 Capital Reduction Resolutions is that upon

completion of any one or more of the CPS3 Capital Reduction Schemes, the Bank would have a reduced capital base. However, the Bank will not conduct any of the CPS3 Capital Reduction Schemes unless it is satisfied that it would not have a material adverse impact on the Bank's financial or regulatory capital position, would not materially prejudice the Bank's ability to pay its creditors and is fair and reasonable to the Bank's shareholders as a whole. In addition, APRA's prior written approval is required to undertake any of the CPS3 Capital Reduction Schemes.

***What is the financial effect of the CPS3 Capital Reduction Schemes on the Bank?***

The maximum cost of a capital reduction in respect of 100% of CPS3 on issue as at the date of this Notice of Meeting would be A\$282,210,800. In addition, any unpaid Dividends that would otherwise be payable from (and including) the previous Dividend Payment Date until (but excluding) the date on which the capital reduction occurs would also need to be paid (subject to the payment conditions).

***What is the source of funds for the CPS3 Capital Reduction Schemes?***

The Bank maintains significant cash reserves and has other funding alternatives that could be used to conduct any capital reduction in respect of the CPS3 (which may include the issue of further securities as part of the Bank's overall capital management strategy). The Board would consider the best alternatives to fund any capital reduction in respect of the CPS3.

***What is the effect of the CPS3 Capital Reduction Schemes on the control of the Bank?***

Holders of CPS3 are entitled to vote (together with the holders of the Bank's ordinary shares) on only a limited number of matters as set out in the CPS3 Terms. Given the limited circumstances in which holders of CPS3 can vote, the Board considers that implementation of any of the CPS3 Capital Reduction Schemes would have no effect on the control of the Bank.

***Who are the affected CPS3 holders?***

As at 27 August 2020, there were 5,016 registered holders of CPS3. CPS3 are quoted on the ASX and held by a variety of investors predominantly based in Australia.

***Do any Directors have any interests in CPS3?***

No Director of the Bank has any interest in CPS3 other than the Managing Director, Ms Marnie Baker, who has a direct interest in 500 CPS3.

There is no other information known to the Board which may be material to the decision on how to vote in relation to the CPS3 Capital Reduction Resolutions which the Bank has not previously disclosed to its shareholders.

***Recommendation: The Board unanimously recommends that shareholders vote in favour of each of these resolutions.***

## 9. Approval of share issue under institutional placement

### Background

On 21 February 2020 the Bank issued 26,766,596 Shares at an issue price of \$9.34 per Share to raise approximately \$250 million (the **Placement**). The proceeds of the Placement have been used to support the growth the Bank has been experiencing in its residential mortgage business, to further strengthen the Bank's balance sheet and to provide an increased buffer above APRA's "unquestionably strong" CET1 capital ratio requirements which gives additional capacity to respond to industry wide APRA capital changes. The capital raised also provides flexibility for the Bank to invest in technology and regulatory related change initiatives.

The Shares issued under the Placement (the **Placement Shares**) were issued to a number of existing and new domestic and international institutional investors. The Placement was fully underwritten by Goldman Sachs and none of the investors were related parties of the Bank.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. This rule provides that where a company in a general meeting subsequently approves a previous issue of securities made without shareholder approval under ASX Listing Rule 7.1 (and provided the previous issue did not breach ASX Listing Rule 7.1), those securities shall be deemed to have been made with shareholder approval for the purposes of ASX Listing Rule 7.1.

The resolution in Item 9 seeks shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of the Placement Shares.

At the time of issue, the Placement Shares represented approximately 5.4% of the Bank's existing issued capital prior to the Placement.

Although the Bank has no current intention to issue any further Shares, as noted at the time of announcing its results for the financial year ended 30 June 2020, the Bank is considering offering a new ASX listed Additional Tier 1 capital (**AT1**) security in the first half of FY21 alongside the potential repayment of its Convertible Preference Shares 2 (subject to market conditions and the receipt of necessary approvals). As any AT1 security may be convertible into Shares in certain circumstances, any AT1 security will be an 'equity security' for the purposes of the ASX Listing Rules and, accordingly, will only be able to be issued without shareholder approval if the number of Shares into which the AT1 security may be converted (as calculated in accordance with the terms of issue of the AT1 security and ASX requirements) falls within the remaining 15% capacity

### Effect of approval

By ratifying the issue of the Placement Shares, the Bank will retain the capacity to issue equity securities (including AT1 securities) in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior shareholder approval. This ratification will ensure that the Bank has maximum flexibility to manage its capital requirements (including through the issue of additional AT1 securities).

### Information required to be provided under ASX Listing Rule 7.5

In accordance with the requirements of ASX Listing Rule 7.5, which sets out the disclosure requirements in connection with a subsequent approval of securities under ASX Listing Rule 7.4, the Bank provides the following information in connection with the approval of the issue of the Placement Shares:

<b>Persons to whom the issue was made</b>	The Placement Shares were issued to a number of existing and new domestic and international institutional investors. The Placement was fully underwritten by Goldman Sachs and none of the investors were related parties of the Bank.
<b>Number and class of shares issued</b>	26,766,956 fully paid ordinary shares.
<b>Terms of shares issued</b>	Fully paid ordinary shares ranking equally with all other existing fully paid ordinary shares (save that the Placement Shares were not entitled to participate in the interim dividend that was announced on 17 February 2020 and paid on 31 March 2020).
<b>Date of issue</b>	21 February 2020.
<b>Issue price</b>	\$9.34 per Share.
<b>Purpose of the issue</b>	The proceeds of the Placement have been used to support the growth the Bank has been experiencing in its residential mortgage business, to further strengthen the Bank's balance sheet and to provide an increased buffer above APRA's "unquestionably strong" CET1 capital ratio requirements which gives additional capacity to respond to industry wide APRA capital changes. The capital raised also provides flexibility for the Bank to invest in technology and regulatory related change initiatives.

**Recommendation:** *The Board unanimously recommends that shareholders vote in favour of this resolution.*



# Explanatory notes - Voting, proxies and questions

## 1. How to vote

Shareholders can vote:

- ahead of the meeting:
  - **Online** by completing the online voting form at <https://www.votingonline.com.au/benagm2020> or;
  - by any of the following means:
    - By mail** Share Registry – Boardroom Pty Limited, GPO Box 3993, Sydney NSW 2001
    - In person** Boardroom Pty Limited, Level 12, 225 George Street, Sydney NSW
    - By facsimile** +61 2 9290 9655
- on the day of the meeting:
  - by attending the meeting virtually and voting at <http://web.lumiagm.com/350493523>; or
  - appointing a proxy or attorney to attend the meeting virtually and voting on the shareholder's behalf (see note 6 below); or
  - in the case of a corporate shareholder, by appointing a corporate representative to attend virtually and voting (see note 7 below).

For further information on how to participate in, and vote before or at, the AGM, please refer to a detailed User Guide available at: <https://www.bendigoadelaide.com.au/investor-centre/annual-general-meetings/>

## 2. Shareholders eligible to vote

Shareholders who are eligible to vote at the meeting, are those who are registered holders of the Bank's ordinary shares and holders of Convertible Preference Shares (CPS2, CPS3 and CPS4) as at **7pm (AEDT) Sunday 25 October 2020**. All eligible shareholders are encouraged to vote ahead of the meeting as described above in item 1 "How to vote".

Ordinary shareholders are eligible to participate at the meeting and vote on all the items of business to be considered at the meeting (with the exception of those persons listed herein (on pages 3 and 4) who are listed as being excluded

from voting). Holders of the Convertible Preference Shares (CPS2, CPS3 and CPS4) are only entitled to vote on items 8(a) and 8(b).

## 3. Voting at the meeting

Voting on each of the proposed resolutions at the meeting will be conducted by poll. Refer to the "How to participate in the AGM" guide which is available at: <https://www.bendigoadelaide.com.au/investor-centre/annual-general-meetings/>

## 4. Online voting facility

The online voting facility is available at: <https://www.votingonline.com.au/benagm2020>

Login details are shown on the shareholder's Direct Voting / Proxy Form.

Shareholders will be deemed to have signed the Direct Voting / Proxy Form if lodged in accordance with the instructions on the online voting site.

**Voting submitted online must be completed by 11:00am (AEDT) Sunday 25 October 2020.**

## 5. Joint shareholders

In the case of joint shareholders (personally or by corporate representative, proxy or attorney), only the joint holder whose name appears first in the register in respect of the relevant shares is entitled to vote.

## 6. Power of attorney

If a shareholder has appointed an attorney to attend and vote at the meeting, or if the Direct Voting / Proxy Form is signed by an attorney, the power of attorney (or a certified copy of the power of attorney) must be received by Boardroom at GPO Box 3993, Sydney NSW 2001 or facsimile on +61 2 9290 9655 no later than **11:00am (AEDT) on Sunday 25 October 2020** unless the power of attorney has previously been lodged with the Bank's registry, Boardroom. Boardroom will provide log-in details to the attorney to be able to attend and vote at the meeting.

## 7. Corporate representatives

If a corporate shareholder wishes to appoint a person to act as its representative at the meeting, that person should be provided with a letter or certificate authorising him or her as the company's representative (executed in accordance with the company's constitution) or with a copy of the resolution appointing the representative, certified by a secretary or director of the company. A form of appointment of corporate representative may be obtained from the Bank's share registry, Boardroom, online at [investorserve.com.au](http://investorserve.com.au) or on 1300 032 762 (within Australia) or +61 2 8023 5417 (internationally).

The form attaching the letter, certificate or certified resolution referred to above must be received by Boardroom at GPO Box 3993, Sydney NSW 2001 or facsimile on +61 2 9290 9655 no later than the commencement of the meeting, unless it has previously been lodged with the Bank's share registry, Boardroom.

## 8. Proxies

You may appoint a proxy to vote on your behalf. This may be done by completing the Direct Voting / Proxy Form or by appointing the proxy through the online voting facility by 11:00am (AEDT) Sunday 25 October 2020. A proxy need not be a shareholder of the Bank. If you are entitled to cast two or more votes you may nominate two persons to vote on your behalf at the meeting. If two proxies are appointed, ensure that the percentage or proportion of your votes is specified. If no such percentage or proportion is specified, each proxy may exercise half your votes. Fractions of votes will be disregarded.

Votes may be cast as 'For', 'Against' or you may 'Abstain' from voting on a resolution.

To indicate how you want the proxyholder to vote on a resolution, indicate your voting instruction by selecting 'For', 'Against' or 'Abstain' or insert the number of shares or percentage of shares that you wish to vote in the appropriate box. A valid voting direction must not exceed the total number of shares held or 100 percent. If you 'Abstain' from voting your votes will not be counted in calculating the required majority on a poll.

If you wish to appoint a second proxy or to vary a previously notified proxy please contact the Bank's share registry, Boardroom by email on [BEN@boardroomlimited.com.au](mailto:BEN@boardroomlimited.com.au) or by telephoning 1300 032 762 (within Australia) or +61 2 8023 5417 (internationally).

**To be valid, Direct Voting / Proxy Forms must be received by 11:00am (AEDT) on Sunday 25 October 2020 by the Bank's registry, Boardroom.**

Proxyholders should contact Boardroom at the above details to obtain their login details to be able to attend and vote at the meeting.

## 9. Conduct of the Meeting

We are committed to ensuring that our shareholder meetings are conducted in a manner that provides those shareholders or their proxy holders who attend the meeting with the opportunity to participate in the business of the meeting in an orderly fashion.

To assist with this and to achieve the objectives of the meeting, we ask that shareholders be courteous and respectful to all shareholders and others attending the meeting by asking concise questions about the matters which are relevant to the business of the meeting.

The Chair of the meeting will exercise her powers to ensure that the meeting is conducted in an orderly and timely fashion in the interests of all attending shareholders.

As this meeting is a virtual meeting technical issues may arise. In the event there is a technical disruption to the meeting's proceedings, the meeting will adjourn and resume at 1pm on the same day of the meeting. The Chair of the meeting may issue any instructions or directions to resolve the issue. In the event the adjourned meeting cannot resume at 1pm, an ASX announcement will be issued with further information.

## 10. How to ask a question

Shareholders can submit questions:

- ahead of the meeting by no later than **5:00pm (AEDT) Tuesday, 20 October 2020:**
  - using the 'Ask the Board' facility within the online proxy voting site at <https://www.votingonline.com.au/benagm2020>; or
  - mailing or faxing questions to the Bank's registry, Boardroom at GPO Box 3993, Sydney NSW 2001 (facsimile number +61 2 9290 9655), or
- on the day of the meeting:
  - submitting a question through the virtual meeting facility.

At the meeting shareholders will be provided with a reasonable opportunity to ask questions about or make comments on the business of the meeting or the management of the Bank. Ernst & Young, the Bank's external auditor, will attend the meeting and there will also be an opportunity for shareholders to ask questions relevant to the audit.



**Australia's Bank of Choice**

Notice of Annual General Meeting 2020  
Bendigo and Adelaide Bank Limited.  
ABN 11 068 049 178

**All Correspondence to:**

-  **By Mail** Boardroom Pty Limited  
GPO Box 3993  
Sydney NSW 2001 Australia
-  **By Fax:** +61 2 9290 9655
-  **Online:** BEN@boardroomlimited.com.au
-  **By Phone:** (within Australia) 1300 032 762  
(outside Australia) +61 2 8023 5417
-  **In Person** Boardroom Pty Limited  
Level 12, 225 George Street,  
Sydney NSW 2000 Australia

**YOUR VOTE IS IMPORTANT**

For your vote to be effective it must be recorded **before 11:00am (AEDT) on Sunday, 25 October 2020.**

**TO VOTE ONLINE****BY SMARTPHONE**

**STEP 1: VISIT** <https://www.votingonline.com.au/benagm2020>

**STEP 2: Enter your Postcode OR Country of Residence (if outside Australia)**

**STEP 3: Enter your Voting Access Code (VAC):**



PLEASE NOTE: For security reasons it is important you keep the above information confidential.

Scan QR Code using smartphone  
QR Reader App

**TO VOTE BY COMPLETING THE NOTICE OF DIRECTION AND VOTING FORM**

The voting form can be used to either vote directly (Section 1) OR appoint a proxy to vote on your behalf (Section 2).

**SECTION 1: DIRECT VOTING**

If you wish to vote directly, you should clearly mark the box in Section 1 and the boxes in Section 3 to indicate your voting instruction for each Item. Please only mark either "for" or "against" for each Item. Do not mark the "abstain" box if you are voting directly. If you vote on at least one item but leave the other item(s) blank, the vote on the item(s) marked will be valid but no vote will be counted or treated as being cast for the item(s) left blank. If no voting instructions are given on all of the items, then the Chair of the Meeting will be deemed to be your appointed proxy. Securityholders, custodians and nominees may identify on the Voting Form the total number of votes in each of the categories "for" and "against" and their votes will be valid. The Chair's decision as to whether a direct vote is valid is final and conclusive.

**SECTION 2: APPOINTMENT OF PROXY**

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chair of the Meeting as your proxy, mark the box in Section 2. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting or does not vote on a poll in accordance with your instructions, the Chair of the Meeting will be your proxy by default. A proxy need not be a Securityholder of the company. Do not write the name of the issuer company or the registered Securityholder in the space.

If you do not select any option in Section 1 or 2, or you complete both Section 1 and 2, you will be taken to have appointed the Chairman of the Meeting as your proxy.

**Appointment of a Second Proxy**

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting Boardroom Pty Limited or you may copy this form.

To appoint a second proxy you must:

(a) complete two forms. On each form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.

(b) return both forms together in the same envelope.

**SECTION 3: VOTING DIRECTIONS**

To cast your direct vote or to direct your proxy how to vote, place a mark in one of the boxes opposite each resolution. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses (subject to

any voting restrictions that apply to your proxy). If you mark more than one box on a item for all your securities your vote on that item will be invalid.

**Proxy which is a Body Corporate**

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from Boardroom Pty Limited.

**SECTION 4: SIGN THE FORM**

The form **must** be signed as follows:

**Individual:** This form is to be signed by the securityholder.

**Joint Holding:** where the holding is in more than one name, all the securityholders should sign.

**Power of Attorney:** to sign under a Power of Attorney, you must have already lodged it with Boardroom Pty Limited. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a company secretary, a sole director can also sign alone. **Please indicate the office held by signing in the appropriate place.**

**LODGEMENT**

Notice of Direction and Voting form (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **11:00am (AEDT) on Sunday, 25 October 2020**. Any form received after that time will not be valid for the scheduled meeting.

**Forms may be lodged using the enclosed Reply Paid Envelope or:**

-  **Online** <https://www.votingonline.com.au/benagm2020>
-  **By Smartphone** Scan the QR Code
-  **By Fax** + 61 2 9290 9655
-  **By Mail** Boardroom Pty Limited  
GPO Box 3993,  
Sydney NSW 2001 Australia
-  **In Person** Boardroom Pty Limited  
Level 12, 225 George Street,  
Sydney NSW 2000 Australia

**Your Address**

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes.

**Please note, you cannot change ownership of your securities using this form.**

**VOTING FORM**

**SECTION 1: DIRECT VOTING**

I/We being a Securityholder/s of **Bendigo and Adelaide Bank Limited** (Company) and entitled to attend and vote hereby elect to vote directly at the Annual General Meeting of the Company to be held as a virtual meeting online at <https://web.lumiagm.com/350493523> on **Tuesday, 27 October 2020 at 11:00am (AEDT)** and at any adjournment of that meeting.

(To cast a vote, you should mark either "For" or "Against" for each item in Section 3 below.)

**SECTION 2: APPOINTMENT OF PROXY**

I/We being a Securityholder/s of **Bendigo and Adelaide Bank Limited Limited** (Company) and entitled to attend and vote hereby appoint:

the **Chair of the Meeting** (mark box)

**OR** if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the Annual General Meeting of the Company to be held as a virtual meeting online at <https://web.lumiagm.com/350493523> on **Tuesday, 27 October 2020 at 11:00am (AEDT)** and at any postponement or adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

Chair of the Meeting authorised to exercise undirected proxies on remuneration related matters: If I/we have appointed the Chair of the Meeting as my/our proxy or the Chair of the Meeting becomes my/our proxy by default and I/we have not directed my/our proxy how to vote in respect of Agenda Items 5, 6 and 7, I/we expressly authorise the Chair of the Meeting to exercise my/our proxy in respect of these Items even though Items 5, 6 and 7 are connected with the remuneration of a member of the key management personnel for the Company.

The Chair of the Meeting will vote undirected proxies in **FAVOUR** of Items 2, 3 and 5--9 (including Items pursuant to Agenda Items 5, 6 and 7) and **AGAINST** Item 4. If you wish to appoint the Chair of the Meeting as your proxy with a direction to vote against, or to abstain from voting on an item, you must provide a direction by marking the 'Abstain' or 'Abstain' box opposite that item.

**SECTION 3: VOTING DIRECTIONS**

\* If you have appointed a proxy and you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called. If you are direct voting and you mark the Abstain box for an item, your vote for that item will not be counted in calculating the required majority if a poll is called.

		For	Against	Abstain*
Item 2	Re-election of Ms Jacqueline Hey as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3	Re-election of Mr Jim Hazel as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4	Election of Mr Anthony Fels as a Director – <b>Not Board Endorsed</b> <i>NOTE: The Chair of the Meeting intends to vote undirected proxies AGAINST Item 4</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 5	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 6	Allocation of shares to the Managing Director under the Loan Funded Share Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 7	Grant of Performance Rights to the Managing Director under the Omnibus Equity Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 8a	Approval of selective capital reduction schemes in respect of Convertible Preference Shares 3 – <b>First Capital Reduction Scheme</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 8b	Approval of selective capital reduction schemes in respect of Convertible Preference Shares 3 – <b>Second Capital Reduction Scheme</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 9	Approval of share issue under institutional placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**STEP 4 SIGNATURE OF SECURITYHOLDERS**

This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and Sole Company Secretary / Sole Director (no Company Secretary)

Securityholder 2

Director

Securityholder 3

Director / Company Secretary