



Company	CYBG PLC
Code	CYB
Meeting	AGM
Date	30 January 2019
Venue	Melbourne Exhibition and Conference Centre
Monitor	Dennis Shore

Number attendees at meeting	160
Number of holdings represented by ASA	371
Value of proxies	\$1.63m
Number of shares represented by ASA	484,000
Market capitalisation	\$4.93B
Were proxies voted?	Yes, on a poll
Pre AGM Meeting?	No; with the Board based in the UK a pre-meeting was not possible but questions were addressed via email

Upbeat outlook but negative shareholder sentiment

CYBG returned to Australia for its third AGM as a stand-alone company, with an upbeat outlook.

It has been a volatile journey in the interim. The company has delivered comprehensively on its objectives, nearly doubled its size with the acquisition of Virgin Money (the name under it which will trade in the future) and started paying a dividend. Addressing a shareholder question on the cost of licence fees to use the Virgin name, the company responded that it was far less than the cost and time to take what was a regional bank to a national iconic brand. The Virgin Money acquisition has transformed CYB into the sixth largest UK bank with £80B in assets and 6 million customers. In effect the acquisition aggregated two subscale competitors to the major 5 banks in the UK into a viable full service challenger. It is in fact the first UK bank acquisition since the GFC. Despite the good news the price of CDI's (CHESS Depository Interests) on the ASX has declined significantly.

In a trend similar to other UK banks there had been a steady decline in the company's share price, mainly attributable to the uncertainty surrounding Brexit, which then imploded on 22 November

apparently triggered by the company increasing provisions for legacy conduct claims. CDI price has fallen in value by about 45% from their peak and basically back to where they started on listing. More positively a modest dividend is payable, with the expectation that it will continue to increase in the future.

Legacy conduct claims continue to be a millstone for CYB, particularly as they relate to Payment Protection Insurance (PPI) for which CYB has determined an additional provision of £396 million in addition to provisions in prior years. In response to a question at the AGM, the CFO said he believed that as they were in their 10th year of such claims, the pool was in large part drained and they had properly provided for future claims, with the knowledge that there is a time limit (August 2019) for claims to be submitted.

As a consequence of the dilutive impact of the all-share acquisition of Virgin Money about 64% of CYBG PLC shares are now owned by Australians, down from a peak of about 85%. Most of them are as CDI's listed on the ASX.

Australians attending the AGM or watching on the web would have noticed significant differences from a typical Australian AGM with the AGM being conducted in line with English practice and with regard to English corporate law.

With every Director required to be elected annually and with many other specific approvals required, the meeting was thrown open to a Q & A session following reports from the Chair and CEO, after which all 26 resolutions were put to a poll. Following issues with this format at the previous AGM in Australia, the Chair made sure that the procedure was well understood.

CYBG continues to have a positive story in respect of its progress against demerger targets, which have all been achieved and mostly surpassed and underlying financial performance.

Investors seemed to be responsive to progress to date and most resolutions were strongly supported. Although there was no relevant debate from the floor on the remuneration report it received what would have been a first strike for an Australian company with 34.2% of votes against. About one quarter of issued shares were however not voted. The company chose not to reveal the significant negative vote during the discussion period but in its report to the ASX, the company undertook to engage with shareholders to understand and address the issues. Compared with Australian practice UK executives are subject to more limited upside incentive and all share based incentives effectively have a 10 year hold period.

The ASA was given an opportunity to put its views, and we sought explanations as to the basis of the share price decline and further explanations with regard to a number of procedural resolutions, including matters to do with AT1 (Additional Tier 1) Securities, which received more than 20% against votes. Again the company will engage with shareholders to better understand concerns. UK law requires quite a number of procedural resolutions to ensure that the company can take decisions as necessary should unexpected circumstances arise. Included was a precautionary provision to approve political donations. The company does not make political donations but nuances of English law mean that there could be serious consequences for inadvertent transgressions without this prior approval.

The ASA voted undirected proxies in favour of all resolutions.

A significant part of the question period was to field questions from self-styled “Bank Warriors”, who have been a significant presence at Australian Bank AGM’s. For the most part they effectively generalised their concerns relevant to UK practice and did not disrupt the meeting.

Discussion with the CEO after the meeting centred on comparisons between the Australian banking enquiry and the British parliamentary enquiry on Banking Standards which handed down its final report in 2013 (we should expect much more in the way of punitive measures), the CEO salaries (capped in the UK) and the involvement of retail shareholder groups such as the ASA (he said non-existent in the UK – but ASA notes [UK Shareholders Association](#) and [UK Individual Shareholders’ Society](#) presence).

Unless we are missing something and the Bank has not identified matters of fundamental significance, CYB seems to be delivering on its promises and potential and the first quarter results to be released soon should clarify these conclusions. Investors will certainly hope so and the imminent arrival of dividend cheques will be welcome.