

CPS 511 – Remuneration disclosure

Financial year ended 30 June 2026





Contents

Overview **1**

Remuneration Governance **1**

Role of the Board 1

Governance & Remuneration Committee 1

Risk and control input 2

Board discretion 2

Remuneration framework and policy **2**

Alignment with strategy and risk management 2

Specified roles 3

Third-party service provider arrangements and conflicts 3

Equity and hedging 3

Remuneration design **3**

Fixed remuneration 3

Variable remuneration 4

Eligibility gateways 4

Risk and financial control personnel 4

Risk adjustment and consequence management 4

Deferral arrangements 5

FY2025/26 remuneration outcomes **5**

Changes to remuneration design 5

Adjustments, withholding and discretion 5

Review and assurance **5**

Document information **6**



Overview

1. This disclosure provides an overview of Defence Bank Limited's remuneration framework and practices for the financial year ended 30 June 2026. It has been prepared for the purposes of APRA Prudential Standard CPS 511 Remuneration.

2. Defence Bank is treated as a non-Significant Financial Institution for the purposes of CPS 511. Accordingly, this disclosure focuses on the qualitative information required of a non-SFI and does not include the quantitative remuneration disclosures that apply to Significant Financial Institutions.

3. The disclosure should be read as at 30 June 2026, except where a later date is expressly stated. It is intended to be published as a standalone document on Defence Bank's website following lodgement of the Bank's annual financial statements with ASIC and within the timeframe prescribed by CPS 511.

Remuneration Governance

Role of the Board

4. The Board is ultimately responsible for approving and overseeing the Defence Bank's remuneration framework and its effective application. The Board approves the remuneration policies that form the framework and oversees whether remuneration arrangements support prudent management of financial and non-financial risks, sustainable performance, conduct risk prevention and Defence Bank's long-term soundness.

5. The Board approves remuneration outcomes for the Chief Executive Officer (CEO) and other senior managers and retains discretion to adjust variable remuneration where required to reflect performance, risk, conduct, compliance or accountability outcomes.

Governance & Remuneration Committee

6. The Board is supported by the Governance & Remuneration Committee (Committee).

7. The Committee:

   a) Reviews the Bank's remuneration framework and policies;

   b) Considers the remuneration of the CEO and Executives and makes recommendation to the Board; and

   c) Reviews bank wide remuneration practices and outcomes.



8. The Committee's responsibilities and authority are set out in its Charter. The Committee assesses its performance and the fulfilment of its responsibilities under the Charter on an annual basis. Further to this process, the Committee is regularly subject to an independently facilitated performance review.

9. The Committee comprises of a minimum of three Non-Executive Directors, with its composition confirmed annually by the Board. During the 2025/2026 financial year, the Committee held five meetings. Other attendees may include the CEO, Chief People Officer (CPO), the Company Secretary, the Assistant Company Secretary and the Head of People. Attendance by management does not replace the Committee's independent judgement.

Risk and control input

10. The Governance & Remuneration Committee and the Board receive input from the Chief Risk Officer and the Risk function on relevant financial and non-financial risk, conduct, compliance and accountability outcomes. This input informs the assessment of eligibility gateways, performance outcomes and any adjustment to variable remuneration. Where relevant, input may also be sought from other Board committees and control functions.

Board discretion

11. The Board may adjust an short term incentive (STI) outcome downwards, including to nil, where this is necessary to reflect adverse risk, conduct, compliance, accountability or performance outcomes, protect Defence Bank's financial or long-term soundness, or respond to significant unexpected or unintended consequences. Any upward discretion must be documented and must not undermine risk, conduct or compliance gateways.

Remuneration framework and policy

Alignment with strategy and risk management

12. The framework includes Board-approved remuneration policies, performance and consequence management arrangements, eligibility gateways, remuneration approval processes, risk and conduct input, variable remuneration adjustment tools and supporting controls. Remuneration outcomes are intended to be commensurate with performance and risk outcomes.

13. The Bank's remuneration policy aligns remuneration with organisational and individual performance through appropriate short and long-term performance measures, balances fixed and variable pay, preserves the independence of risk and financial control employees, ensures termination payments are limited to statutory requirements, and provides for a portion of Executive remuneration to be at risk through short-term incentives and/or other performance-based arrangements.



Specified roles

14. For the purposes of CPS 511, Defence Bank's specified roles include senior managers and risk and financial control personnel. Senior managers comprise the Chief Executive Officer and members of the Executive Leadership Team. Risk and financial control personnel include the Chief Financial Officer and Chief Risk Officer, who are also treated as senior managers. Defence Bank has not identified any other material risk-takers for the reporting period.

15. During FY2025/2026, there were nine senior managers. There are no employee's outside of the CEO and Executive leadership team that are considered 'senior managers' as defined in paragraph 20(t) of CPS 511.

Third-party service provider arrangements and conflicts

16. Defence Bank does not enter into remuneration or incentive arrangements with third-party service providers that could give rise to inappropriate risk-taking, conflicts of interest or outcomes inconsistent with the Bank's risk management framework. Service provider arrangements and conflicts of interest are managed under the Bank's service provider and conflicts management policies.

Equity and hedging

17. Defence Bank does not offer equity, equity-linked deferred variable remuneration or long-term incentive arrangements. Defence Bank prohibits hedging of equity or equity-linked deferred variable remuneration. Any breach would be managed under the applicable policy and consequence management arrangements.

Remuneration design

18. Defence Bank seeks to apply remuneration practices consistent with industry best practice and comparable customer-owned financial institutions. Remuneration decisions are informed by external market benchmarking, including participation in remuneration surveys, and are designed to align with organisational performance, members' long-term interests, effective risk management, and the Bank's ongoing financial soundness.

Fixed remuneration

19. Fixed remuneration is set having regard to role scope, individual capability, internal relativities and relevant external market benchmarks, while recognising Defence Bank's mutual structure. Fixed remuneration reviews also take account of Bank performance, individual performance, risk management, conduct and completion of required training.



Variable remuneration

20. Defence Bank uses cash-based short-term incentives to align annual remuneration outcomes with Bank, individual, risk and conduct performance. Executives may participate in an Executive STI arrangement. Eligible employees may participate in the applicable employee STI arrangement. Defence Bank does not offer long-term incentives or equity-based remuneration.

21. Executive performance is assessed against Bank and individual measures aligned to Defence Bank's strategic plan, financial soundness and risk management framework. The Board approves the relevant Executive scorecard and individual measures and approves the resulting variable remuneration outcomes for senior managers.

Eligibility gateways

22. Before an individual becomes eligible for an STI payment, the applicable risk and compliance, strategy, individual performance and training gateways must be satisfied. The assessment includes whether the individual demonstrated an appropriate risk culture, operated within risk appetite, maintained sound risk and compliance practices, completed mandatory training and avoided material breaches. Failure to satisfy an applicable gateway may result in no STI being awarded.

Risk and financial control personnel

23. The remuneration arrangements for risk and financial control personnel are structured so that performance-based components do not compromise the independence of those roles. Their remuneration is not determined solely or predominantly by the financial performance of the business activities they oversee.

Risk adjustment and consequence management

24. Variable remuneration outcomes may be adjusted to reflect adverse performance, risk, conduct, compliance, fitness and propriety or accountability outcomes. Available tools include in-period adjustment, withholding, Board discretion, malus and, where appropriate, clawback.

25. Relevant triggers include misconduct leading to significant adverse outcomes, significant failures of financial or non-financial risk management, significant breaches of accountability or compliance obligations, significant errors or misstatements in the basis of a remuneration decision, and significant adverse outcomes for members or counterparties. Any adjustment is determined having regard to the severity of the outcome and may reduce variable remuneration to nil.



26. Where an individual is under investigation for a matter that may trigger an adjustment, payment or vesting of affected variable remuneration may be withheld until the investigation is concluded. Consequences are applied consistently with Defence Bank's remuneration and consequence management policies.

Deferral arrangements

27. Where the Financial Accountability Regime requires an Accountable Person's variable remuneration to be deferred, Defence Bank applies the prescribed threshold, proportion and deferral period. Deferred amounts remain subject to applicable vesting conditions and may be reduced where adverse risk, conduct, compliance or accountability outcomes arise.

28. Defence Bank's remuneration policies provide for a deferral of 40 per cent of an Accountable Person's variable remuneration where the statutory threshold is met, for the minimum period required by law. The Board retains discretion at relevant decision points and may apply malus or other downward adjustment tools before vesting.

29. During FY2025/2026, one STI award met the FAR deferral threshold.

FY2025/26 remuneration outcomes

Changes to remuneration design

30. During FY2025/26, Defence Bank made no material changes to the structure of the Executive STI arrangement or the manner in which Bank and individual performance were considered.

31. Policy and governance enhancements were made to strengthen alignment with CPS 511, including third-party service provider conflicts, hedging, Board oversight, Risk input and alternate ownership of key activities.

Adjustments, withholding and discretion

32. During FY2025/26, the Board made three downward adjustments to STI outcomes (including those not vested), as a result of risk, conduct, accountability outcomes or other circumstances or behaviours in accordance with policy.

33. The Board did not exercise upward discretion in determining FY2025/26 Executive STI outcomes.

Review and assurance

34. The Governance & Remuneration Committee reviews the remuneration framework and its supporting policies at least annually and recommends material changes to the Board. The Board approves the remuneration policies and considers whether the framework remains appropriate and effective.



35. During FY2025/26, Defence Bank commissioned an internal audit of its CPS 511 and Financial Accountability Regime arrangements. The review identified opportunities to strengthen policy alignment, documented procedures, alternate ownership and Board oversight. All audit findings have since been fully addressed and closed through the implementation of updated policies, enhanced governance arrangements, clearer roles and responsibilities, documented procedures, and strengthened Board oversight.

36. The Chief People Officer has provided annual assurance that the remuneration framework and policies are adequate and effective, subject to the matters and remediation reported to the Governance & Remuneration Committee and Board.

Document information

Reporting period	1 July 2025 to 30 June 2026
Owner	Chief People Officer
Approver	Governance & Remuneration Committee Board of Directors
Approval date	15 October 2026
Related documents	Key documents that relate to this Disclosure: • Governance & Remuneration Charter • Board Policy 15 – Remuneration • Board Policy 15.1 – Employee Remuneration & Benefits Policy • Consequence Management Policy • CPS 511 procedure