



2017-2018
Annual Review



Defence
Bank

Welcome to the Defence Bank 2017 – 2018 Annual Review

This annual review contains extracts from our 2017 - 2018 Annual Financial Report, along with the Chair and CEO reports. It includes highlights of operations over the past year.

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Should you require more details of Defence Bank's financial position, a full copy of the 2017 – 2018 Annual Financial Report can be obtained from our website at www.defencebank.com.au or by emailing your request to our company secretary at info@defencebank.com.au.

In 2018 the Royal Australian Air Force celebrated 60 years of supporting combat operations from Royal Malaysian Air Force Butterworth.

Image: © Commonwealth of Australia, Department of Defence



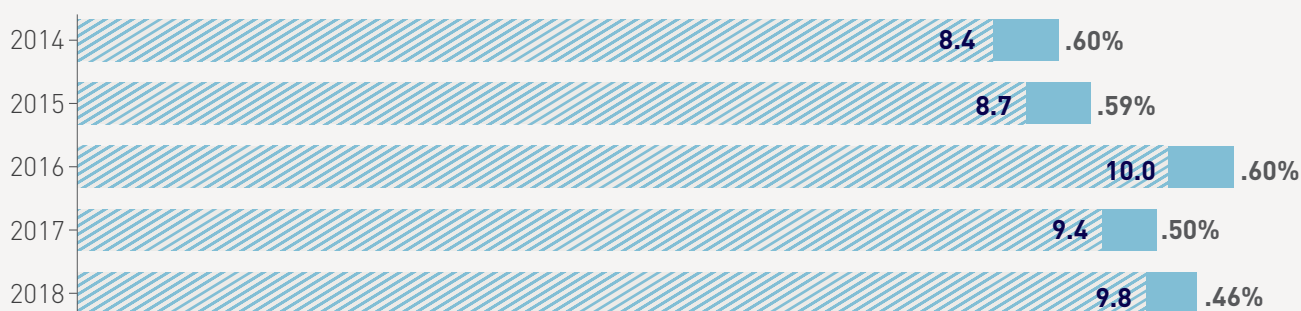
Results Focus

Results Focus

Year at a Glance

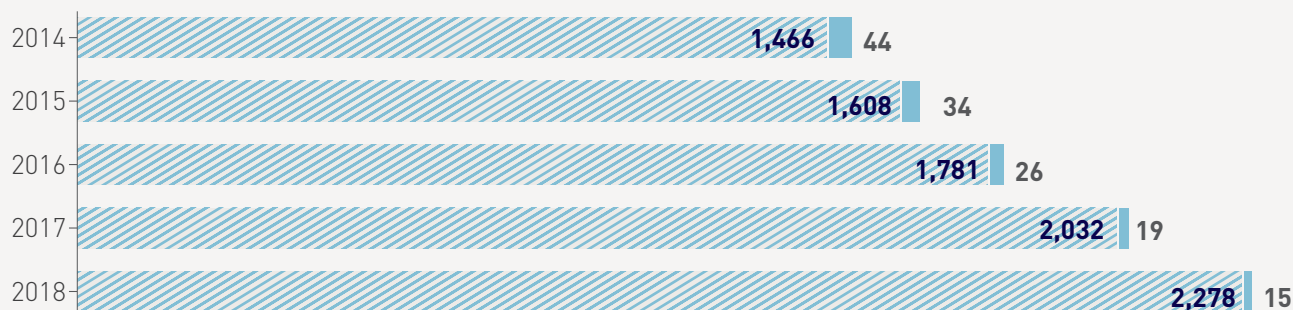
Profitability

Profit After Tax (\$m) Return on Assets



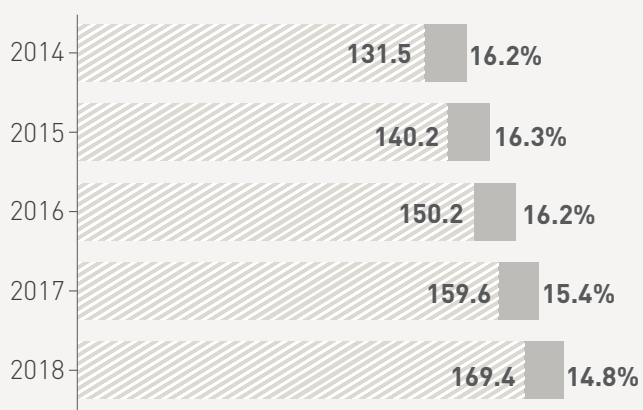
Assets

On Balance Sheet (\$m) Off Balance Sheet (\$m)



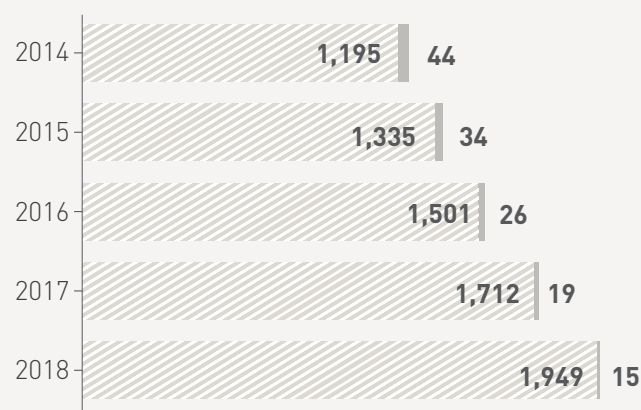
Reserves

Equity (\$m) Capital Adequacy Ratio



Loans

On Balance Sheet (\$m) Off Balance Sheet (\$m)





“Strong financial results like these underpin the maintenance of our rating of BBB/Stable/A2 by S&P Global Ratings - one of the highest credit ratings for a member owned bank in Australia.”

Results Focus

Chair's Report

Dear Members

Defence Bank exists to serve the financial needs of the men, women and families that make up the wider defence community. We regard this as a privilege and don't take it for granted and so it's with great pleasure that I present the Chair's Report on behalf of the Board for the financial year ended 30 June 2018.

Another great year of results for Defence Bank

What a year it has been. Despite a global economic environment that continues to be marked with uncertainty, Defence Bank - the largest member owned bank serving the defence community, has continued to achieve strong and stable results in a decreasing interest rate environment and a climate of increased regulatory focus.

I am pleased to report another strong year of results for Defence Bank with asset growth of 12.1% and growth in deposits of 12.2%. We have also achieved a profit improvement of 4% which as a member owned bank we will invest this net profit back into the business to further enhance our product offerings and service delivery channels to better serve you, our members.

Strong financial results like these underpin the maintenance of our rating of BBB/Stable/A2 by S&P Global Ratings - one of the highest credit ratings for a member owned bank in Australia.

The changing financial services landscape

We continue to operate in an environment with an ever-increasing political and regulatory focus on investor and interest only lending from the Australian Prudential Regulation Authority (APRA). These guidelines required all financial institutions to limit their investor lending growth to less than 10% annually. While the demand for these products has been strong during the year, Defence Bank has managed this growth and stayed in line with APRA regulations.

The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry was established on 14 December 2017, with its first public hearings starting on 13 March 2018 and continues to run through 2018. We will keep a watching brief on the commission to understand any findings and outcomes but please be assured that the Board and management of Defence Bank are committed to ensuring our continued operation at the highest integrity as a member owned bank.

“Defence Bank - the largest member owned bank serving the defence community, has continued to achieve strong and stable results”

Results Focus

Focused on strong member advocacy

I'm particularly pleased that we have been able to achieve a high level of member advocacy as measured by the Net Promoter Score (NPS). Our NPS of + 43 is one of the highest for financial institutions in Australia. In essence this means we have a large proportion of members who are prepared to recommend us to their family or friends. This is in stark contrast to the major banks that score negatively on this measure.

We will also concentrate on reducing member effort throughout the year and 84% of our members agree or strongly agree that Defence Bank has made it easier to manage their banking. We want your banking to be easier and more convenient and will continue to measure ourselves against these metrics. Your feedback directly helps with shaping the products and services we offer.

Be assured our members needs are our number one priority as we do not exist to make profits for our shareholders, instead we invest our profits back into the bank to provide products and services. No clearer demonstration of this is that we continue to introduce innovative payment services such as the New Payments Platform services and the full suite of Apple, Google and Samsung Pay Wallets, well in advance of many of the major banks.

A fairer playing field for all

Defence Bank is actively involved in advocating significant changes in our sector to facilitate a more level playing field for the smaller banks, compared to the big four banks. By working with our key industry bodies, Business Council of Co-operatives and Mutuals (BCCM) and Customer Owned Banking Association (COBA), and participating in numerous industry forums we continue to passionately advocate the mutual bank cause, and the key transparency and benefits of that model to the broader economy in driving genuine competition for the big four banks.

The Australian banking system continues to be highly concentrated and dominated by the big four banks. Defence Bank like other mutual banks provides a genuine viable alternative to the big banks in every sense and we strongly support revisions to regulatory and capital frameworks to allow mutual banks to drive greater efficiency. We welcome this move towards competitive neutrality which practically will mean better deposit and loan products for all Australians.

The upcoming year will see the introduction of the Banking Executive Accountability Regime (BEAR). The intent of the BEAR is to make those with significant influence over conduct and behaviour in ADIs more accountable for the actions and outcomes of their organisation to ensure that they cannot avoid responsibility for issues that occur under their management. At Defence Bank we will adhere to this regime although it is an example of when the impact of certain regulation is not fit for scale and not commensurate with the risk profile of the mutual sector and we will continue work with COBA and BCCM to advocate on our behalf.

The board and executive team has undertaken a robust strategy and planning process. This has resulted in a very clear strategic roadmap that aligns employees and member experience to our purpose. At the heart of this roadmap is reducing member effort through empowering our members to do their banking when and how they want. This strategy is based on comprehensive research and review to determine how Defence Bank should be positioned for the future.

This will translate into easier and faster ways for you to do your banking.

“We hope that the banking royal commission has made Australians more receptive to banking alternatives and I encourage you to tell your friends about Defence Bank. We are a progressive and member focused bank that has been serving the needs of the defence community since 1975.”



Supporting the Defence Community

At Defence Bank we are proud to support the Defence Bank Foundation, an independent charity whose primary mission is to assist wounded, injured and ill serving and former Australian Defence Force (ADF) members and their families.

The sole beneficiary of the Defence Bank Foundation is Defence Community Dogs (DCD) and I couldn't think of a better cause more aligned with supporting our defence community.

The Defence Community Dogs program specially trains service dogs to provide support to veterans to help them better manage injuries and illnesses including Post-traumatic Stress Disorder (PTSD). The dogs are trained by inmates under the guidance of professional dog trainers then given to serving and ex-serving Australian defence force members. The administration costs to run the Foundation are met by Defence Bank to make sure that all donated funds are available to train the dogs and support veterans during and after handover. Funds are raised through direct Bank donations to the Foundation, staff fundraising, member donations and dog sponsorships.

It costs \$7,500 to train a dog and 200 hours of training and since the Foundation has been established more than 40 service dogs have been trained and given to veterans.

Finally, I'd like to formally welcome David Marshall, our CEO, who commenced with the Bank in February 2018 and also congratulate David and his team on the results. We look forward to David's valuable ongoing contribution over the coming years.


I would also like to thank my fellow board members for their ongoing drive and commitment to ensuring Defence Bank is the bank the defence community choose for their financial needs.

Lastly, a warm thank you to you, our members. We appreciate both your ongoing support, and that of our staff who continue to show dedication and commitment to living the bank's values.

Thank you for all your support and we look forward to another successful year.

A handwritten signature in black ink, appearing to read 'Fran Raymond'.

Fran Raymond
Chairman



“We will continue to build a mindset that is humble, progressive, open-minded and flexible to meet and define new ways of supporting the financial well-being of our members.”

Results Focus

CEO's Report

As a new CEO I have travelled across the country visiting all 39 branches and talking to both members and staff. I have had the privilege to hear your feedback and have fielded many questions about our unique financial institution and thought it would be an opportune time to answer them.

What is Defence Bank and why are you different?

Our core business is retail banking for members who are part of the broad defence community within Australia and their families.

We were established in 1975 at Victoria Barracks, Melbourne.

We are 100% member owned which means our owners are our members and all our profits go to investing in products and services for their benefit. Therefore, we have no conflict between the interests of shareholders and members like the big banks do.

We have 92,869* active members and each of these members has one share which cannot be sold or transferred to anyone else. As part owners, our members have a say in how we operate the bank.

We operate across 39 branches throughout Australia. A majority of these are located on defence bases, however, in Canberra we have four branches off base and in Townsville we have a branch at Willows Shopping Centre.

We are proudly an accredited provider of Defence Home Ownership Assistance Scheme home loans.

“We are 100% member owned which means our owners are our members and all our profits go to investing in products and services for their benefit.”

Do you have to be a serving member of the Australian Defence Force to bank with Defence Bank?

No, not at all. Our reach goes well beyond immediate serving defence personnel and includes all serving, retired and reservist members of the Australian Defence Force, Department of Defence and Department of Veterans' Affairs employees, defence contractors and extended family members of the defence community. Our centre of gravity is absolutely the defence community but anyone can bank with Defence Bank should they choose to do so.

We are regulated in the same way as all Australian banks and deposits up to \$250,000 are protected by the Australian Government Guarantee.

How did Defence Bank perform last year?

It has been a very strong year for Defence Bank with asset growth of 12.1% and on the other side of the balance sheet, deposits are up 12.2%. We have seen record levels of more than \$460 million in housing loans advanced to our members and achieved a healthy profit improvement of 4%. This means we can invest in key initiatives that will focus on the member experience, specifically understanding how our members do their day-to-day banking with the fundamental aim to reduce the effort expended by them.

Defence Bank is proud to have helped our members by providing more than 1,800 member home loans and 3,175 personal loans to buy cars, renovate homes or go on holidays in the last financial year. We also protected more than 3,690 assets with general insurance and more than 1,200 members' personal loan repayments.

Results Focus

What is the Xcelerate program?

The Xcelerate program is a member centric transformation program Defence Bank is embarking on. This program is well under way and the foundation of the transformation is to reduce the effort our members expend in doing their banking. The transformation will be based on completely independent member research and will direct all our effort and investment in the future. More than 2,000 members responded to our invitation to participate.

We understand members want to do their banking with ease, free of fuss and clutter. We are relentlessly focused on delivering their daily banking whilst staying true to our member ownership philosophy of always putting our members' interest first. At a time when trust in the big banks is at an all-time low, we are determined to ensure Defence Bank is a standout in the eyes of our members.

Our ongoing surveys are also helping us to know to measure Defence Bank's Net Promoter and Member Effort Scores. The Net Promoter Score measures how likely our members are to recommend us as a bank of choice. The Member Effort Score is a new metric to Defence Bank and tells us how easy our members believe it is to conduct both their daily banking and other less frequent contact such as applying for a loan or insurance product. We now measure and publish these scores monthly.

Tell me about Defence Bank's board and executive team.

The Board and executive team have a strong blend of banking and finance experience supported by current and past serving members of the Australian Defence Force. This provides unique insights and empathy with the needs of the defence community and again, is another vital ingredient in our day-to-day operation of Defence Bank.

What products and services does Defence Bank offer its members?

All of the standard personal banking products like:

- Home loans and personal loans
- Credit cards and overdrafts
- Deposit and transaction accounts
- General insurance products
- Travel insurance and cash passports
- Foreign currency
- Retirement savings
- Superannuation products

Plus we have digital wallets; Android Pay, Apple Pay and Samsung Pay and our members can transact real time payments using a PayID. Many of these payment options were available to our members before the big four banks made them available to their customers and a number of banks still do not offer these services.

We also provide our members with fully enabled online and mobile banking capability.

What was new in 2018?

We take our duty of care to our members very seriously and all of our initiatives are built around a relentless focus to reduce the member effort.

- Introduced real time payments using the New Payments Platform (NPP)
- Undertook the largest piece of independent member research to deeply understand what our members are looking for from Defence Bank both now and in the future
- Established simple metrics around member effort across the entire organisation
- Launched our Camo Visa Debit Cards in four different colours
- Gave new members the opportunity to join Defence Bank online
- Began Sunday trading in some locations
- Simplified our lending process
- Introduced member notifications into Mobile Banking
- Refurbished five branches

We've also realigned Defence Bank with the Customer Owned Banking Association's Code of Practice and we've begun redevelopment of our corporate website.

Results Focus

What benefits do you get from partnering?

Partnering and working with other organisations is an absolute priority for Defence Bank. One of our great strengths is an ability to be agile and not be weighed down by large legacy systems. We can accelerate and improve member experience through working very closely with our key partners like Cuscal which enabled us to deliver digital wallets and real time payments via the New Payments Platform. Critically, we also work extremely closely with our cherished defence community colleagues to ensure we are more than just a bank to them every day.

Do you have any plans to do more in 2018/19?

Absolutely. A relentless focus on reducing the effort members expend in doing their banking, supported by a mentality of empowering our members to do their banking how and when they wish to, is our priority.

We will continue to build a mindset that is humble, progressive, open-minded and flexible to meet and define new ways of supporting the financial well-being of our members.

Tell us about the Defence Bank Foundation and Defence Community Dogs.

This is Defence Bank's primary charitable endeavour. The Defence Bank Foundation is a registered charity which raises funds to support serving and ex-serving Australian Defence Force members living with injuries or illnesses such as Post-traumatic Stress Disorder (PTSD). Defence Community Dogs is a program that trains rescued dogs for more than 200 hours to graduate as highly trained service dogs to assist these members.

How do we know how our members feel about Defence Bank's performance?

We have introduced monthly independent tracking of our member experience and key member pain points. This independent tracking is embedded in our core purpose and key performance indicators.

All executives at Defence Bank have a mandatory requirement to spend time interacting with our members face-to-face to ensure they remain hands on and connected to the evolving needs of our members.

Tell me about Defence Bank's employees.

We have a devoted team of 215 staff, many of whom have a strong association through family or friends with the defence community. These employees are highly engaged in our purpose and journey and this is validated by the independent employee engagement survey completed by Insync. More than 80% of employees responded to the survey and their feedback puts Defence Bank's employee engagement score in the 90th percentile of our industry, placing us among the top employers in our sector.

Defence Bank employees have undertaken 7,727 hours of training and development in the past financial year.

What is Defence Bank's performance on gender equality?

The overall gender composition of the Defence Bank workforce is 67% females and 33% males. Pleasingly this year, 82% of employees who were promoted were women and 18% were men. Further to this we have made significant improvements in the gender balance at executive level, increasing from 11% in 2017 to our current balance of 44%, which now aligns with our board composition of one third female representation. This is very positive as 40% of our members are also female. 93% of our employees tell us that their leadership supports gender equality.

In summary, I hope that you have gained a deeper understanding on what Defence Bank does and our absolute commitment to providing you with a member experience that is the best in Australia.

Feedback is at the very heart of member experience and so I welcome all comments or questions with members encouraged to contact me at davidmarshall@defencebank.com.au



David Marshall
CEO

Image: © Commonwealth of
Australia, Department of Defence



People Focus

People Focus

Xcelerate Member Experience Program

For more than 40 years we have proudly supported defence force personnel as well as the wider defence community, with over 90,000 people choosing to bank with Defence Bank.

We are committed to continually improving our members banking experience by helping them build financial security for all members and their families, at every life stage.

Our aim is to help our members reach their financial goals which is why we are always looking at ways to improve our service offering, develop our product range and invest in new technologies designed to make banking with Defence Bank as easy as possible.

In May 2018, as part of our member first strategy we partnered with independent market research agencies GALKAL and Insync to launch our Xcelerate Member Experience Program, a two phase member research study designed to unearth a deeper understanding of member experience at Defence Bank.

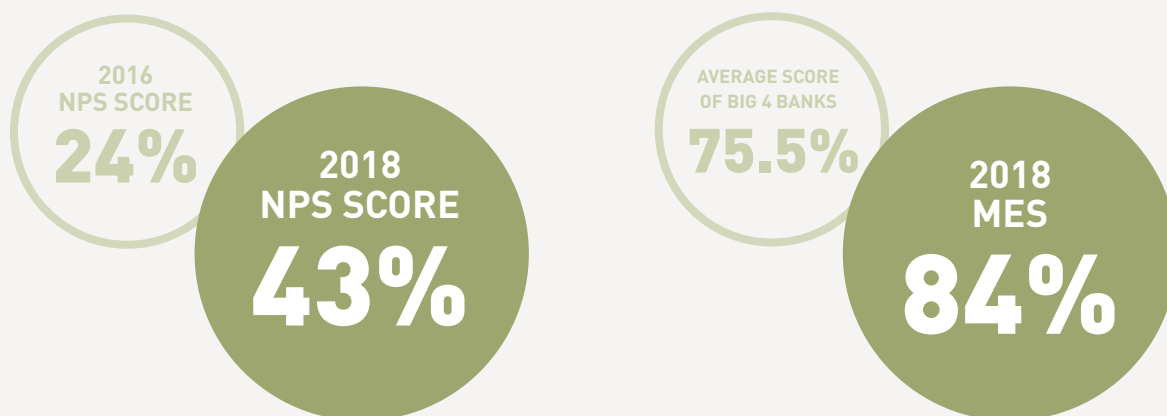
Xcelerate Phase One was based on establishing project objectives, outcome and a focus for the research study. Upon identifying these pillars a series of one-on-one member interviews, followed by an online survey was held to better understand our core audience, unlocking pain points and key moments in their lives.

As part of this study the Net Promotor Score (NPS) and Member Effort Score (MES) were measured to provide a benchmark to build upon.

- The NPS is a customer advocacy metric designed to measure how likely it is that a member would recommend their financial institution to a family member or friend. The higher the NPS the higher the degree of advocacy
- The MES is a loyalty metric designed to measure the amount of effort a customer must exert to accomplish his or her objectives in dealing with a company. The theory behind the MES is that the easier a company makes it to conduct business, the stronger the member loyalty

As of 30 June 2018, our MES score was 84%¹ which sits 8.5%² above the average score of the big four banks. Our NPS score was 43%¹ which is a dramatic increase from our 2016 NPS score of 24% and the financial services industry average of 25%¹. These findings are extremely positive but they also highlight the need for improvement across our current member offering.

The second phase of the Xcelerate program commences in FY19 with the insights gained from Phase One to form the basis of Defence Bank's future strategy for member satisfaction, growth and retention.



¹ Data obtained from independent research agencies GALKAL and Insync.

² As reported by RFI Group Member Customer Effort publication 01 May 2018 (www.rfigroup.com)

People Focus

Members

Unlike many other financial institutions, our main priority is to focus on our members' financial needs rather than being driven to make profits for shareholders. Because of this, we invest our profits back into the Bank to make sure we can continue to provide our members with the service and competitive products they deserve.

We continued to deliver on our promise of a better banking experience with five more branches receiving the 'Branch of the Future' upgrade. Feedback gathered from the Xcelerate Member Experience Program was extremely positive with respondents stating an enhanced branch experience due to the new refurbishments.

During the year, we rolled out a number of improvements to reduce member effort including the early adoption of the New Payments Platform (NPP), making Defence Bank one of the first banks in Australia to offer PayID and Osko to its members. We also introduced member notifications to our mobile banking app and simplified our lending process.

In early 2018, we commenced a review on our website and created a System Request for Proposal (RFP) document for the development of a new website. This project will continue into the second half of 2018 with a strong focus on developing a responsive website designed to enhance user experience when accessing Defence Bank products and services online.

Camo Visa Debit Cards

In July 2017, we launched our Camo Visa Debit Cards exclusive to Defence Bank members. Offering all the same features as a Visa Debit Card, members have a choice of four card designs including pink camo, Army camo, Navy camo and Air Force camo.

Extended Opening Hours

To offer great service, we must adapt to our members changing needs. We ran a three month trial where our Kapooka branch, a base for recruits, was open for Sunday morning trade. The success of this trial was overwhelming with an average of 20 recruits visiting the branch on any given Sunday, previously in-branch visits from this segment was near zero due to their training schedules.

Payment Innovation

Osko® by BPAY™ and PayID was introduced providing Defence Bank members with a new faster and simpler way to make payments.



2,442

**MEMBERS HAVE REGISTERED A
PAYID WITH DEFENCE BANK**

39

BRANCHES
AUSTRALIA
WIDE

1,000+

ATM NETWORK

73,792

MOBILE APP
DOWNLOADS



People Focus

People

Organisational Capability

Defence Bank implemented a new organisational structure, bringing together the teams responsible for People and Culture, Marketing and Operations to enable a unified approach to achieving an improved member and employee experience. This combined team is led by Makala Schofield who commenced as the Chief Operating Officer in July 2018.

Employee Engagement

In April 2018, Defence Bank appointed Insync, an independent specialist employee survey provider to complete its annual employee Alignment and Engagement Survey. The 2018 engagement score was 76%, achieved from a response rate of 80% of staff. This places us in the top decile of employers compared to the benchmarked organisations. Pleasingly, 90% of participating staff tell us that they are proud to work at Defence Bank.

Industry Recognition

Defence Bank is proud to have been recognised as a finalist in two Australian HR Institute Awards in November 2017 for:

- AHRI Corporate Social Responsibility Award: Recognising the great work of the Defence Bank Foundation and the Defence Community Dogs program
- Wayne Cascio Organisational Change and Development Award: For the #Strive #Excite #Exceed cultural transformation program

We were also a finalist in the 2017 Australian HR Institute Awards for:

- Best Change Management Strategy: Further recognition for the #Strive #Excite #Exceed cultural transformation program.

Learning and Development

Developing our people is one of our main focus areas. Following a successful implementation of a new e-learning system, this year our employees have undertaken 7,727 hours of training and development. This commitment to professional development also enables us to keep the knowledge of our authorised representatives up to date.

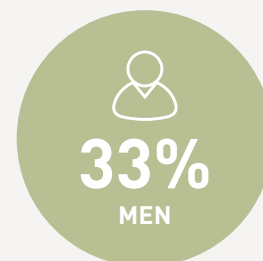
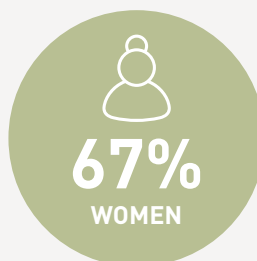
Insight Branch Visits

Throughout the year, we held three Insight branch visits providing our support staff at head office an important opportunity to visit the branches and learn more about how the ADF and a defence base operates. These visits are always well received and give our team a chance to better understand and connect with our members.

Talent Acquisition

Being an employer of choice and sourcing great talent from the market is critical to the future success of Defence Bank. One tool we use to assist us with our talent acquisition is cognitive ability benchmarking. This year we re-calibrated our benchmark using data obtained from newly hired Defence Bank employees over the previous 18 months, resulting in an increase in the minimum benchmark. This benchmark assists us in identifying candidates who are the right fit to be successful at Defence Bank.

WORKPLACE GENDER EQUALITY REPORT – 2017-2018



90% of employees are proud to work at Defence Bank



Reward and Recognition

Defence Bank actively supports programs that serve to recognise hard work and effort. Staff engagement and retention are key factors to our ongoing success as a business.

Some of the programs in place include:

- 'Appreciate', our staff benefit program which recognises staff service and loyalty
- GEM Awards – our monthly 'Going the Extra Mile' reward program – with two staff members recognised and rewarded by the executive management team
- Employee Candidate Referrals program, which rewards staff members for making recommendations of successful candidates for vacant positions
- Life Event program, where gifts are given for major life events such as marriage or the birth of a child

Defence Bank also actively supports our community with one day paid leave available for staff participating in raising funds for our chosen charity, the Defence Bank Foundation. Staff can also choose to participate in workplace giving raising funds directly for the Foundation.

External Support Channels

Employee Assistance Program (EAP)

Defence Bank is committed to ensuring the health and well-being of our employees. As a reinforcement of our commitment to our staff, Defence Bank introduced an Employee Assistance Program (EAP) enabling employees and their immediate family access to confidential short term professional counselling services.

External whistleblower reporting

Defence Bank is committed to fostering a culture of good corporate compliance and ethical behaviour and providing our staff with a constructive and healthy workplace.

A key change introduced this year was the expansion of our whistleblowing reporting channels. A third party whistleblower service provider was appointed in January 2018 to oversee the external reporting process and can receive a whistleblowing report confidentially and anonymously 24/7.

People Focus

Community

We are honoured to be part of the Australian Defence Force community and see it as our responsibility to support our members beyond that of just their financial needs.

With 36 of our branches uniquely located on base, many of these within smaller regional areas. We feel that a strong community spirit is vital to the health and well-being of local residents which is why we actively support a number of local events throughout the year.

Overall, we are proud to have provided direct assistance to over 48 events and charities during the year.

Defence Community Organisation (DCO) Welcome Days and Family Days

To assist individuals and families settle into their new home on base, Defence Bank was present at 19 Family Days and DCO Welcome Days across Australia between November 2017 and March 2018.

Bandiana Cinema – Spouses of Military Morning Tea

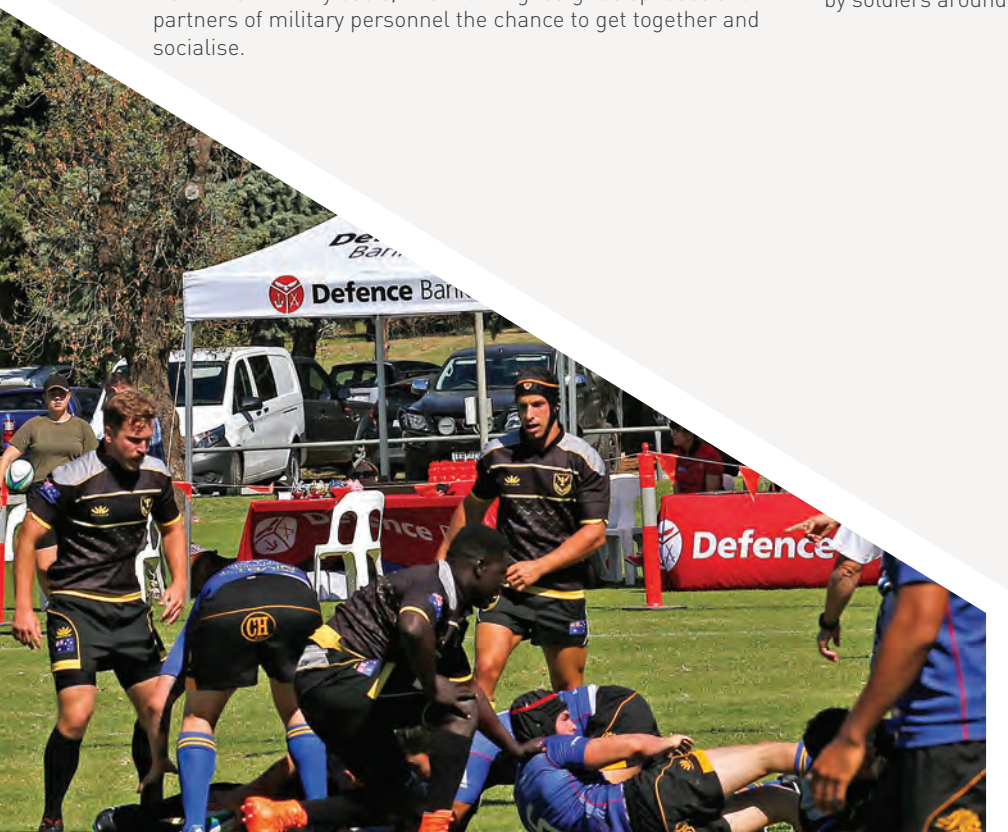
Defence Bank is proud to have supported the Bandiana Cinema Spouses of Military Morning Tea for over 15 years. Held on a monthly basis, this morning tea gives spouses and partners of military personnel the chance to get together and socialise.

Defence Bank Kapooka K-Series

For 25 years, Defence Bank has partnered with the Kapooka Army Barracks to deliver the Kapooka K-Series annual sporting event. This event attracts individuals and teams from around Australia who compete across a range of sporting disciplines including rugby, water polo, netball, archery, mountain bike riding and golf. To encourage involvement from the local community, a Family Day is also held consisting of children's sporting activities and an exhibitors village.

Salvation Army Red Shield Defence Services (Sallyman Trucks)

Defence Bank is a long standing benefactor of the Salvation Army Red Shield Defence Services Sallyman Trucks across Australia. The trucks, operated by Salvation Army workers, distribute hot and cold drinks and food, as well as physical and moral support to soldiers while deployed or on exercise. The tradition of the Sallyman Truck began in the Boer War in 1899 and is still going strong, thanks to the ongoing support of the Salvation Army – a service that is greatly appreciated by soldiers around Australia.



People Focus

**“Supporting our local
community is important
to us.”**



People Focus

Foundation

Defence Bank Foundation

The Defence Bank Foundation is an independent charity to support wounded, injured and ill current and ex-serving ADF members and their families.

The primary beneficiary in 2017-2018 was the Defence Community Dogs (DCD) program which supports veterans living with PTSD.

DCD manages a program which rescues abandoned dogs and trains them to support veterans suffering from PTSD. Each dog is carefully assessed before being accepted into the program and is then trained to the level of Advanced Companion therapy dog. At present, most of the dogs in the program are trained at the Bathurst Correctional Centre with the assistance of trainers and inmates, under the guidance of Steve Austin, one of Australia's leading dog trainers.

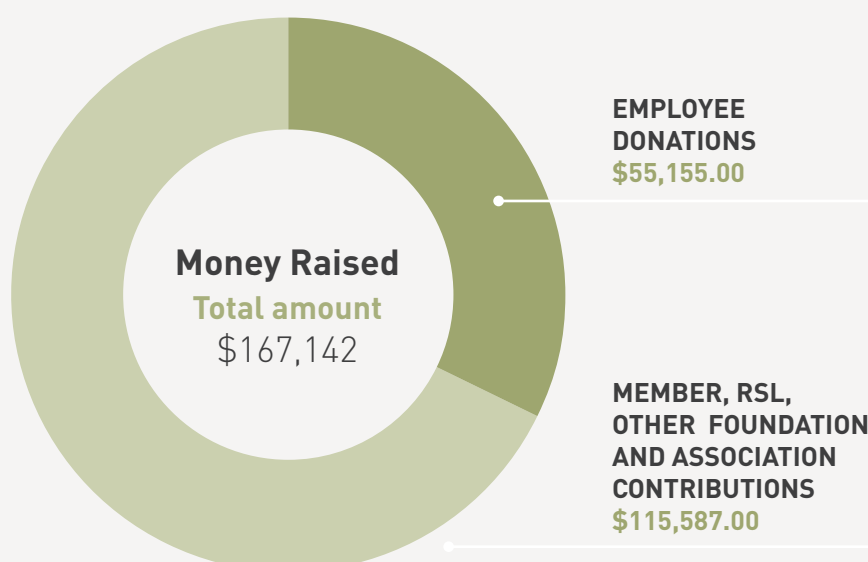
Each dog is in the training program for at least six months.

Once the dog has been trained to an advanced level, they are then partnered with a suitable veteran. The cost to train the dogs is significant and the full cost is paid by the Defence Bank Foundation. Upon graduation, dogs are given to the veterans at no cost to the veteran or the family.

How to Donate

To make a donation, go to defencebankfoundation.com.au or visit a branch today. Donations over \$2.00 are Tax Deductible.

2017 - 2018 Donations



Proudly Supporting



**DEFENCE
COMMUNITY
DOGS**

For more information please visit
defencebankfoundation.com.au



“Archie is the long-lost friend I have needed for a long time. I am getting out of the house with like-minded people and I’m going to training with other veterans.”

Keith

Image: © Commonwealth of
Australia, Department of Defence



Team Focus

Team Focus

Board of Directors

Our Board of Directors oversees the strategic direction of Defence Bank, and ensures that our statutory and legal requirements are met. Directors serve a term of three years, with elections held annually and are announced at the Annual General Meeting held in November.



Fran Raymond
Chair of the Board

BCom, MBA, FCA, FAICD, GDPPM, FSAA

Fran began her career at KPMG in management consultancy. Fran has since gained significant Senior Management experience and has held CFO roles at The CrimTrac Agency, IP Australia, Department of the Prime Minister and Cabinet, and the National Health and Medical Research Council, then moving into the role of General Manager Corporate at Rural Industries Research and Development Corporation and Chief Operating Officer at the Australian Reinsurance Pool Corporation. Fran was an ACT Councillor at the Australian Institute of Company Directors. Fran has also been a Director at UN Women (Australia) since 2010 and is Chair of the Finance, Audit and Risk and Public Funds Committees. In 2013 Fran was a finalist in the Telstra Business Woman of the Year Awards as well as being listed as one of Australia's 100 Women of influence in 2012. Fran is currently employed at the Department of Defence in Canberra, previously as CFO Army and currently as Assistant Secretary, Finance – Enabling Groups.



Joan Fitzpatrick
Director

BA (Hons) LLB, ANZIIF Fellow, CIP, GAICD

Joan is an experienced company director, CEO and leader of business success. With more than 35 years of commercial business experience at an executive level, Joan completed 16 years as CEO and Director of the Australian and New Zealand Institute of Insurance and Finance in December 2013. As CEO Joan revitalised and expanded the business and its international reach. ANZIIF is now a highly respected profitable association. She is currently a Non-Executive Director on several Boards and is an Executive Director, with the Bevington Group, a leading provider of consulting services in business operating model design, productivity and process improvements and change management. With professional qualifications in Law, Joan also has strong governance and compliance capability and understanding of operations within APRA and ASIC.



Lieutenant Colonel Craig Madden
Director

BA, MMgt (Defence Studies), GradCert Applied Engr Practice, FAICD, psc

During Craig's 12 years as a director of Defence Bank he has held the appointments of Deputy Chairman of Board, Acting Chairman of the Risk Committee, Chairman of the Governance Committee and Chairman of the Remuneration Committee. He has also been a member of the Audit Committee, Executive Committee and the Director Selection Committee. Craig has served for over 30 years in the Australian Army Corps of Engineers with command appointments at Troop, Squadron and Regimental levels as well as various instructional and staff appointments. He has extensive experience in Domestic Operations including the Melbourne 2006 Commonwealth Games and 2009 Victoria Fires Recovery Task Force. He commanded US Marines and Army Engineers on Operations in Iraq and was an Advisor to an Afghan Army Colonel in Afghanistan. Honours and Awards include US Bronze Star and Deputy Commander Joint Operations Command Commendation.

Team Focus



Lieutenant Peter Mason RANR
Director

DipAPPSc, GradDipCompStud, MACS(Snr), SF Fin, MAICD

Peter is an experienced non-executive director, executive manager and strategy adviser with extensive experience leading strategic change in government, financial services, information technology and not-for-profit organisations. His early career was in the information technology industry followed by extensive senior management experience across technology and the retail bank business of National Australia Bank. He has had senior management experience with the Victorian Government and the Northern Territory Government in the areas of whole-of-government technology policy, cyber security and program management.



Bruce Murphy
Director

BSc, MCom, PGD, CAIA, GAICD

Bruce started his career in the Royal Australian Navy, serving as an officer 1982-1990. He has since gained extensive financial services experience across retail banking, superannuation and funds management where his executive responsibilities have included roles in credit analysis, audit, product development and distribution.

Bruce's Senior Management career began as a Director, Retail Distribution at Deutsche Asset Management, 2000 – 2004, then Executive Director with Macquarie Group 2004 – 2009 where he was responsible for local and global distribution of funds management products. During 2009 – 2015 Bruce was Managing Director of BNY Mellon Investment Management, responsible for the Australian Investment Management Business and since then he has been a Director – Australia and New Zealand, for Insight Investment.



Commodore Ian Murray, RAN
Director

BA, GradDipHRM, MDefStud, MA, MBA, GAICD, CAHRI, FCILT, psc

Commodore Ian Murray has been a Defence Bank member since 1999. With 32 years in the Australian Defence Force he continues to serve as the Deputy Commander Joint Logistics and Director General Strategic Logistics. He is the previous chairperson of Navy Canteens, providing philanthropic support to Navy personnel wherever they serve. Commodore Murray is a graduate of the Australian Defence Force Academy and the Australian Army Staff Course, and has deployed on operations to the Middle East. He holds a Bachelor of Arts, a Grad Dip in Human Resources Management, an MBA, a Master of Strategic Studies and a Master of Arts and has a Capstone Diploma from the US National Defense University. He is a Graduate of the Australian Institute of Company Directors, is a Fellow of the Chartered Institute of Logistics and Transport Australia and a Certified Professional of the Australian HR Institute.



Anne Myers
Director

MBA, AGSM, GAICD

Anne is a finance industry executive with extensive experience spanning retail banking, insurance, funds management and superannuation. Her most recent executive roles were as Chief Operating Officer of ING DIRECT and as interim CEO for United Way. In addition to strong leadership skills, she also has a passion for digital innovation and a deep understanding of operational risk management particularly in APRA regulated environments. Her career has spanned over 30 years in the financial industry providing a sound understanding of the legislative and regulatory requirements of retail banking.

Anne also has strong expertise in digital strategy, large scale organisational change, people management and performance metrics.

Team Focus

Executive Team

Our Executive Management Team oversees the day-to-day operations and ongoing development of Defence Bank.



David Marshall
Chief Executive Officer

BCom, PGDCom, EDP

David commenced as CEO at Defence Bank in February 2018 and has since initiated a major member experience transformation program aimed at reducing member effort at every touchpoint.

David has spent over 30 years in the financial services sector in New Zealand and Australia. During this time he has led major retail and business banking divisions at Suncorp, Westpac and Commonwealth Bank, leading them through significant customer driven transformations. David has also sat on the Advisory Board of Afterpay.

Prior to joining Defence Bank, David was CEO at Hume Bank, a regional customer-owned Bank based in New South Wales and Victoria. He is a passionate advocate for the member owned banking sector and its place within the contemporary financial services landscape within Australia.

David grew up on a farming property in New Zealand and studied at Lincoln College (Canterbury University), London Business School and Wharton Business School.



Dean Barton
Chief Financial Officer

BCom, FFin, FCPA

Dean joined Defence Bank as Chief Financial Officer in 2011 and has primary responsibility for the bank's financial and regulatory reporting, management reporting and budgeting as well as funding and capital management. Dean also acts as Company Secretary to Defence Bank.

Dean has had over 20 years local and international experience in financial roles most recently as Financial Controller for ME Bank and prior to that as Asia-Pacific Regional Financial Controller for GMAC Financial Services.

Dean is a Fellow of CPA Australia and the Financial Services Institute of Australia as well as being a graduate member of the Australian Institute of Company Directors. Dean holds a B.Com from the University of Western Australia majoring in Accounting and Economics.



Kristen Bugeja
Executive Manager – People and Culture

BCom, CAHRI

Kristen leads the People and Culture team at Defence Bank, bringing with her over 20 years' experience in the financial services sector.

During the course of her career, Kristen has had extensive experience in delivering cultural change that underpins Defence Banks strategy. Throughout her time with Defence Bank, Kristen has successfully driven change across a range of HR functions including career development, talent and leadership programs and staff engagement.

Under her guidance Defence Bank was a finalist in the Australian HR Awards 2017 for 'Best Change Management Strategy' and Australian HR Awards 2016 for 'Employer of Choice'.

Kristen is a certified member of the Australian Human Resources Institute.

Team Focus



Celia Cannavan
Chief Lending Officer

Dip. Finance Services, Dip. Training and Assessment, Executive Coach

Celia has been Chief Lending Officer since joining Defence Bank in early January 2017 and is responsible for the lending, collections and fraud portfolios for the bank.

Before joining Defence Bank, Celia worked in a variety of roles spanning consumer banking, 3rd party distribution, transformation, operations, sales and capability including a number of senior leadership roles at NAB, Citibank, Macquarie and Suncorp.

In addition to Celia's financial qualifications, her training as an Executive Coach at the Institute of Executive Coaching and Leadership, provide her with a unique and invaluable skillset when leading her team and delivering on Defence Bank's future vision for its members.



Linda Cravan
Chief Digital and Information Officer

BSc, MBA, GDP Computing

Linda became Defence Bank's Chief Digital and Information Officer (CDIO) in August 2018 and brings with her over 20 years' experience in technology and consulting within the financial services sector.

Linda holds an MBA, graduating with distinction from the New York Institute of Technology. She also holds a Graduate Diploma in Computing, a Bachelor of Science and is a Graduate of Australian Institute of Company Directors (GAICD).

Her previous work history saw her successfully lead teams and projects at ANZ, NAB, Ernst & Young Consulting and IBM Global Services delivering significant transformational outcomes.

As CDIO, Linda is responsible for leading the Defence Bank technology strategy and platforms with a goal to making it easier for our members to bank with us, improving efficiencies and driving technology innovations.



Michael O'Reilly
Executive Manager - Marketing

BA, GD Marketing

Michael joined Defence Bank as Executive Manager of Marketing in December 2017 and brings with him over 22 years' of product and marketing experience within the financial services sector.

Prior to joining Defence Bank, Michael was responsible for developing marketing strategies across a range of mutual and major financial institutions including Teachers Mutual Bank, Community First Credit Union, CommSec and Lloyds TSB.

Michael's past experience also includes a period abroad working as a Product Manager for Lloyds TSB.

At Defence Bank, Michael leads a team to deliver the day-to-day marketing functions with specific responsibility for brand, marketing strategy and product.

Team Focus



Makala Schofield Chief Operating Officer

MAcc, MBA

Makala was appointed Chief Operating Officer, Defence Bank in July 2018. She has responsibility for Defence Bank's Member and Employee experience and will oversee the People and Culture, Marketing and Operations functions where she will strengthen Defence Bank's capabilities and innovation in marketing strategy, product development, member segmentation, corporate affairs, communications, and analytics.

Makala has over 20 years' experience in financial services. Prior to joining Defence Bank, Makala held a variety of senior positions at Westpac, Australia Post, CUA and CGU Insurance covering strategy, distribution, marketing, product and data analytics.

Makala is a board member of Habitat for Humanity a not-for-profit organisation and a member of the Special Events committee for Epworth Hospital.

Makala has a Masters of Accounting (MAcc) and a Masters of Business Administration (MBA).



Mano Simos Chief Risk Officer

BBus Accounting, GD Banking and Finance

Mano has been Chief Risk Officer at Defence Bank since October 2013 and is primarily responsible for the development and oversight of the Bank's Risk and Compliance Management framework. Mano leads a team who collaborate with both the business executives and their teams providing guidance and advice on the implementation of these frameworks. This second line function remains independent of the business and provides the Board and the Risk and Compliance Committee with assurance and insights around management of our current and emerging enterprise risks. Mano was appointed Company Secretary in September 2016 and is secretary to the Risk and Compliance Committee, Governance Committee and Remuneration Committee and is a Graduate Member of the Australian Institute of Company Directors.

Prior to joining Defence Bank, Mano worked at the NAB directly with the Business Banking CRO and Group Executive Business Banking as secretary to its Risk Committee and responsible for Risk Governance.



Dean Talbot Chief Sales and Service Officer

Dip. Finance Services, Adv. Dip Management, Dip Retail Business Admin

For the past five years Dean has been responsible for increasing sales and implementing processes to deliver a better member experience by leading Defence Bank's retail distribution teams as Chief Sales and Service Officer.

These teams include the national branch network, Melbourne based Contact Centre and Wealth and Investments team. Dean has also been accountable for the delivery of the Branch of the Future refurbishments.

With over 20 years of experience in banking and finance, Dean has held senior management and banking positions across both major and mutual institutions including NAB where he held a number of leadership positions.

Dean is a former AFL listed player with Geelong and holds industry qualifications which include a Diploma of Financial Services and Advanced Diploma of Management.

Team Focus

Financial Extract

Consolidated Statement of Profit or Loss and other Comprehensive Income for the Financial Year ended 30 June 2018

	The Group		The Bank	
	2018	2017	2018	2017
	\$000	\$000	\$000	\$000
Income				
Interest income	81,393	75,376	81,194	75,199
Interest expense	(37,121)	(33,671)	(37,121)	(33,671)
Net interest income	44,272	41,705	44,073	41,528
Other income	8,201	8,581	9,186	9,367
	52,473	50,286	53,259	50,895
Expenses				
Personnel expenses	20,173	19,829	20,173	19,829
Depreciation and amortisation expense	1,528	1,100	1,528	1,100
Impairment losses on loans and advances	237	383	237	383
Other expenses	16,574	15,798	16,445	15,689
	38,512	37,110	38,383	37,001
Profit before income tax	13,961	13,176	14,876	13,894
Income tax expense	4,167	3,766	4,167	3,766
Profit for the year from continuing operations	9,794	9,410	10,709	10,128
Other comprehensive income	-	-	-	-
Total comprehensive income	9,794	9,410	10,709	10,128

The Statement of Profit or Loss and other Comprehensive Income has been extracted from the audited Annual Financial Report. This extract has not been separately audited.

Team Focus

Consolidated Statement of Financial Position as at 30 June 2018

	The Group		The Bank	
	2018	2017	2018	2017
	\$000	\$000	\$000	\$000
Assets				
Cash and cash equivalents	89,680	94,102	74,781	81,567
Investments	228,760	215,556	228,760	215,556
Equity investments	1,639	1,639	1,639	1,639
Trade and other receivables	835	575	18,620	15,081
Loans and advances	1,948,553	1,711,714	1,948,553	1,711,714
Property, plant and equipment	4,481	4,134	4,481	4,134
Deferred tax assets	2,433	2,485	2,433	2,485
Intangible assets	839	641	839	641
Other assets	606	682	606	682
	2,277,826	2,031,528	2,280,712	2,033,499
Liabilities				
Borrowings	146,213	122,892	146,213	122,892
Deposits	1,953,896	1,741,142	1,953,896	1,741,142
Trade and other payables	3,446	2,492	3,446	2,492
Current tax liabilities	23	180	23	180
Provisions	4,830	5,198	4,830	5,198
	2,108,408	1,871,904	2,108,408	1,871,904
Net assets	169,418	159,624	172,304	161,595
Equity				
Share capital	985	943	985	943
Reserves	168,433	158,681	171,319	160,652
Retained earnings	-	-	-	-
	169,418	159,624	172,304	161,595

The Consolidated Statement of Financial Position has been extracted from the Audited Annual Financial Report.
This extract has not been separately audited.

Team Focus

Corporate Governance

Company Structure and Regulation

Defence Bank is a public company limited by shares (members' shares) under the Corporations Act 2001, administered by the Australian Securities and Investments Commission (ASIC). Defence Bank is also an Authorised Deposit-taking Institution regulated under the Banking Act 1959 and subject to Prudential Standards, issued by the Australian Prudential Regulation Authority (APRA).

Size and Composition of the Board

Defence Bank's board currently consists of seven independent Non-Executive Directors. The Chief Risk Officer and the Chief Financial Officer of Defence Bank act as Company Secretaries to the Board. These appointments carry no entitlement to a vote on Board matters.

Non-Executive Directors are elected or appointed for a term of three years, commencing at the end of the Annual General Meeting, at which their election or appointment is announced and generally concludes at the end of the third Annual General Meeting after their election. At the end of their term, Directors may offer themselves for re-election subject to the Board Policies on the maximum tenure for individual Directors.

Experienced and Balanced Board

The Board comprises Directors with a wide range of experience and business backgrounds. A number of Directors are serving, or have served, in the Australian Defence Force. All Directors also have extensive academic and commercial qualifications and experience to enable them to undertake their role as Directors. Details of Directors' qualifications are shown on pages 25 - 26. In addition, Directors are required to undertake continuing professional development activities to maintain and improve their knowledge and skills necessary for the performance of their duties and responsibilities.

Effective Committee Structure

The Board conducts its business with the assistance of a well defined and effective committee structure. The five standing committees of the Board are:

Governance Committee

This committee assists the Board in the development of recommendations on any changes to governance practices, processes for the evaluation of board committees and individual director performance and review and development of Board Governance Policy.

Risk and Compliance Committee

This committee assists the Board in fulfilling its responsibilities relating to Defence Bank's overall risk and compliance management practices.

Audit Committee

This committee assists the Board in fulfilling its responsibilities relating to Defence Bank's accounting, statutory (under APRA, ASIC and AUSTRAC), financial reporting and external and internal audit activities.

Nominations Committee

This committee is established under Defence Bank's constitution in order to provide assurance to members that candidates who are nominated for service on the Board are fit, proper and suitable to become directors.

Remuneration Committee

This committee is established to review and make recommendations to the Board on the remuneration of directors and executives.

From time to time, other committees may be established to facilitate board consideration of a particular issue.

A number of directors are serving, or have served, in the Australian Defence Force.

Team Focus

Image: © Commonwealth of
Australia, Department of Defence

**“Proud to serve the
defence community
since 1975”**



Team Focus

About Defence Bank

Defence Bank commenced operations in March 1975 as Defence Force Credit Union Limited (Defcredit) before changing its name to Defence Bank in 2012. Today, Defence Bank has the largest defence based branch network in Australia.

Defence Bank doesn't exist to make profits for shareholders. We're here to focus on our member's financial needs, rather than being driven to make profits for shareholders. We invest profits back into the Bank to make sure we give you the service and competitive products our members deserve.

As an Australian operated bank, Defence Bank offers financial products and services to all Australians, not only people in the defence force and the defence community. With more than \$2 billion in assets under management, Defence Bank is one of Australia's larger member owned banks and we grow larger and stronger every day.



We're here to help

For more information about any of our products and services, contact us today:

 **1800 033 139** (8am to 8pm AEST weekdays)

 **visit your local Defence Bank branch**

 **defencebank.com.au**

 **info@defencebank.com.au**

Defence Bank Limited

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