



**Defence**  
Bank

# 2021-2022 Annual Review.

## Our Purpose.

To serve those  
who protect us.

## Our Promise.

We count on you.  
And you can count on us.



# 2021-2022 Annual Review.

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## Our Principles.

Our Principles are how we ACT.  
Accountable. Collaborative. Transparent.



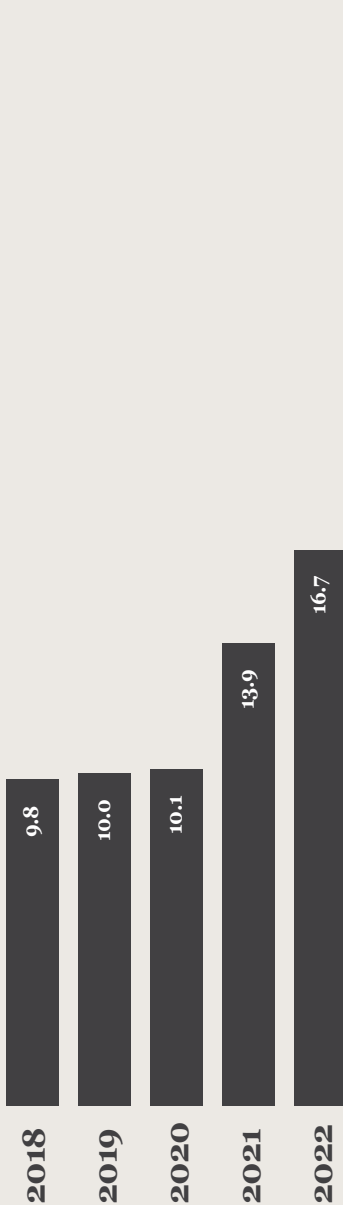
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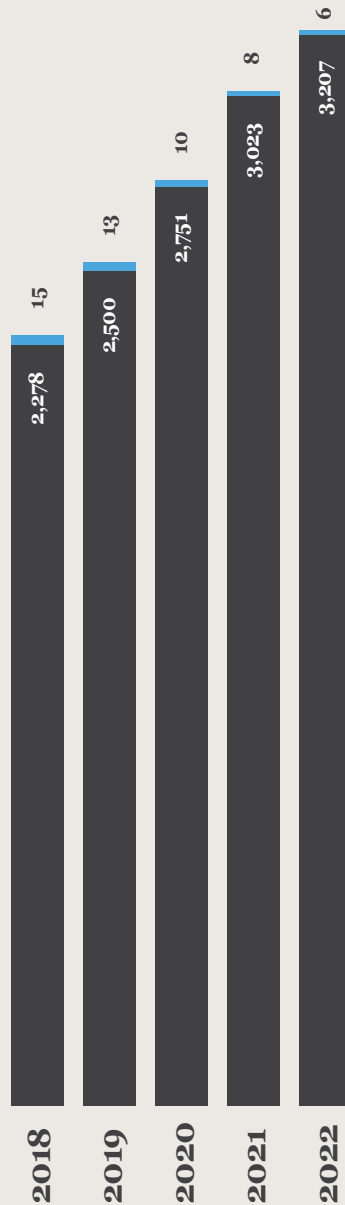
Should you require more details of Defence Bank's financial position, a full copy of the 2021-2022 Annual Financial Report can be obtained from our website at [defencebank.com.au](https://defencebank.com.au) or by emailing your request to our Company Secretary at [info@defencebank.com.au](mailto:info@defencebank.com.au).

Defence Bank Limited ABN 57 087 651 385  
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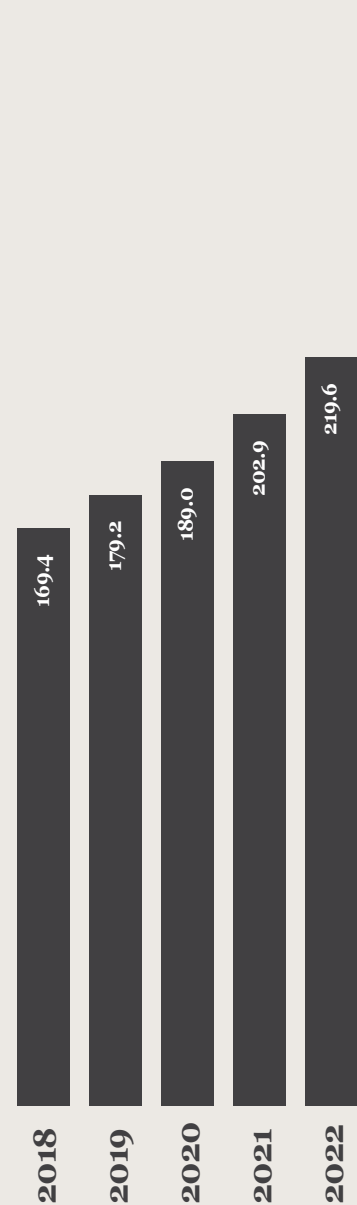
# Year at a glance.



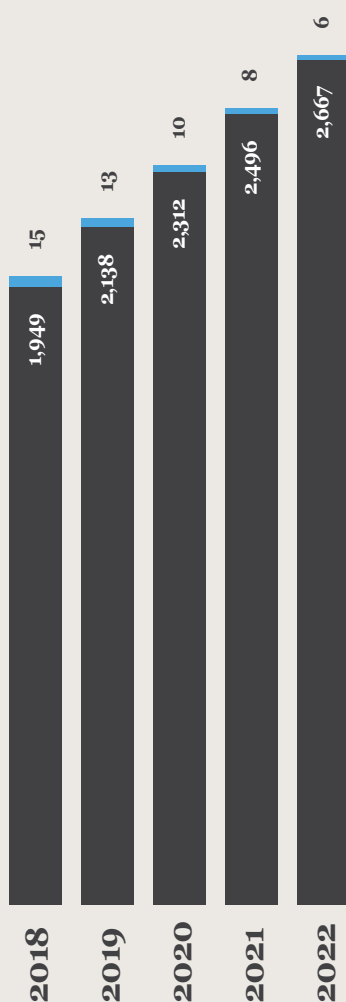
**Profit (\$m).**



**Assets (\$m).**



**Equity (\$m).**



Off balance sheet.

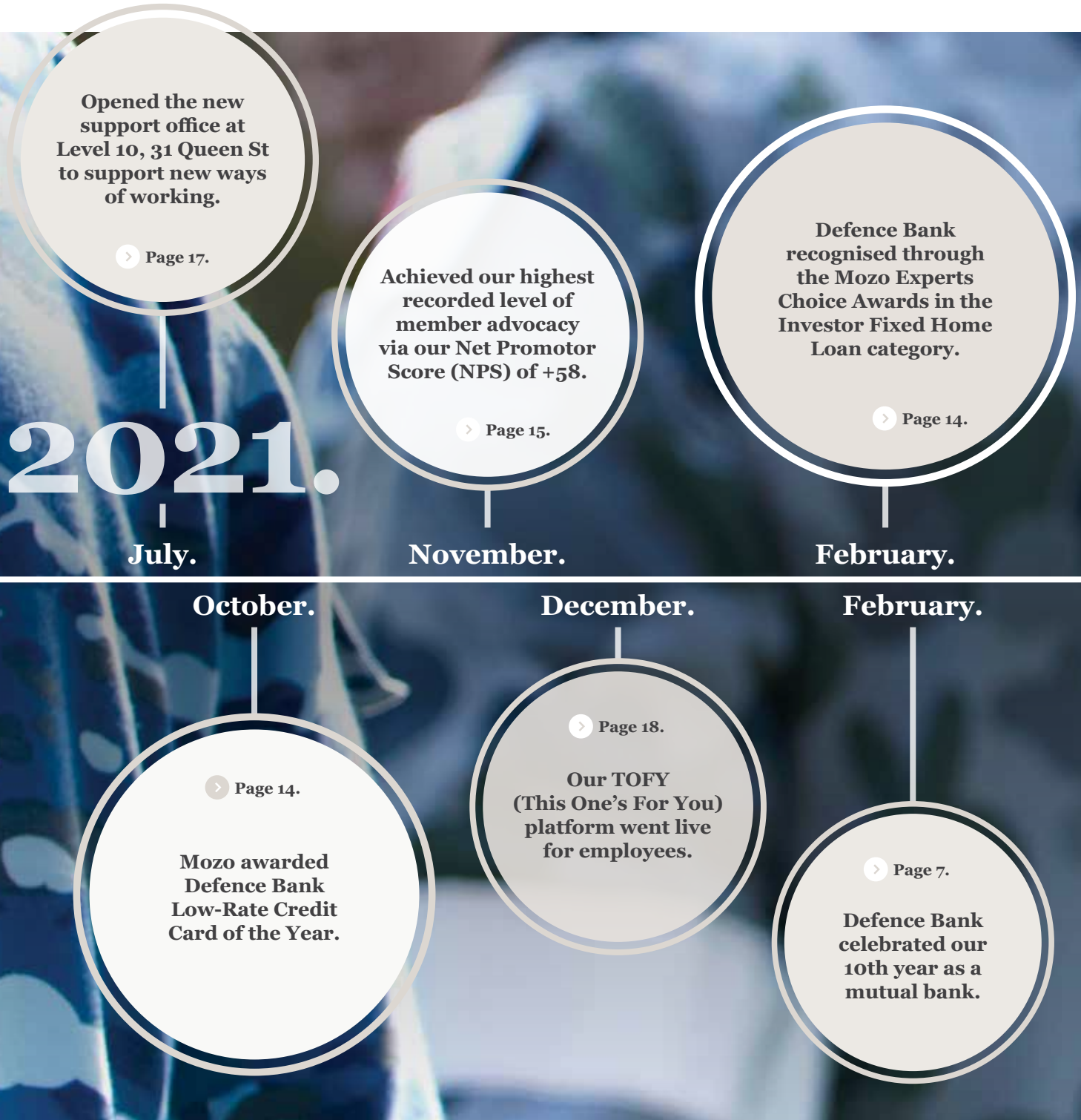
**Loans (\$m).**

Profit up.  
**19.6%**

Assets up.  
**6.1%**

Loans up.  
**6.9%**

# The year in review.



Defence Bank retained its rating of BBB | Positive | A2 by S&P Global Ratings.

> Page 13.

March.

Retained Moody's Investor Services rating of Baa1 | Stable | P-2.

> Page 13.

May.

Director of the Defence Bank and trustee of the Defence Bank Foundation, Rear Admiral Ian Murray, RAN, was appointed as a Member (AM) in the Military Division of the Order of Australia.

> Page 8.

June.

March.

> Page 13.

Launched new end-to-end pilot for digital personal loans.

June.

> Page 11.

Recorded highest funding month in Defence Bank's history of \$82m, as well as largest funding year with \$696m.

June.

2022.

> Page 20.

Handed the 66th assistance dog to a veteran under the Defence Community Dogs program.

# Chair's report.



# A year of new beginnings

**As I reflect upon the year that was, I am proud to report a year of strong results for Defence Bank with record levels of lending, a strong capital position and a net profit of \$16.7 million.**

These results are matched by strong member advocacy and a positive mindset across the bank as we embark on a new beginning with the challenges of the COVID pandemic left behind.

## **2022 marks a milestone for Defence Bank as a member-owned bank.**

The year saw us celebrate our 10th anniversary as a member-owned mutual bank. It has been a remarkable decade, and through the years Defence Bank has never failed to embrace opportunities to learn and enhance our technology while always retaining our passion for putting people first and serving those who protect us.

Since becoming a bank, we have more than doubled our assets from \$1.5 billion to over \$3 billion. We have established the Defence Bank Foundation, and launched our highly-rated, award-winning Defence Bank app. Through this time, we have been at the vanguard of digital investment as an early adopter of innovations such as fast payments through Osko and PayID under the New Payments Platform (NPP) and access to the full suite of digital pays - Apple, Google, Fitbit, Garmin, and Samsung.

This period also saw Defence Bank recognised as employer of choice and awarded the *Prime Minister's Veteran's Employment Award* in 2019.

Defence Bank's unique point of difference has always been our thorough understanding of the ADF way of life. It enables the bank to adapt and provide products and services tailored to the needs of members and their families – regardless of whether they are in Australia or on deployment around the world. I am confident that this will continue for many more decades to come.



**Profit up.**  
**19.6%**



**Assets up.**  
**6.1%**

## Chair's report.

### Headwinds and opportunities.

We are moving into an era of higher interest rates, amid fast-paced change that encompasses regulatory change and the ongoing threat of cyber risk. It is a dynamic environment that needs to be addressed and responded to with careful consideration.

Additionally, all Australians face cost-of-living challenges and declining housing affordability, but our continued participation in schemes such as the *Defence Home Ownership Assistance Scheme* (DHOAS) and the *Home Guarantee Scheme* (HGS), gives more of our members the opportunity to benefit from home ownership.

We also see opportunities with the federal government's commitment to increase the permanent ADF ranks by 30 per cent to 80,000 by 2040, which is driving our membership growth aspirations, allowing us to serve more of Australia's Defence Force personnel. We continue to position for the opportunities of the New Payments Platform (NPP) with a commitment to the PayTo initiative later in 2022. This will modernise the way bank accounts are used for payments.

### Recognition for our people.

A highlight of the financial year was that Defence Bank and Defence Bank Foundation board members were named in the Queen's Birthday and Australia Day 2022 Honours List.

Director of Defence Bank and trustee of the Defence Bank Foundation, Rear Admiral Ian Murray, RAN, was appointed as a Member (AM) in the Military Division of the Order of Australia for exceptional service to the Australian Defence Force in strategic logistics and operations support.

Trustee of the Defence Bank Foundation, Air Commodore Kirrily Ann Dearing (retired) was appointed as a Member (AM) in the Military Division of the Order of Australia for exceptional service to the Australian Defence Force in strategic engagement, integration of women in Afghan society, and military responses to international and domestic operations.

Additionally, trustee of the Defence Bank Foundation, Major General Susan May Coyle CSC DSM received Australia Day 2022 honours – and was appointed as Member (AM) in the Military Division of the Order of Australia, for exceptional performance of duty as the Commander Joint Task Force 633 on Operation ACCORDION from January to November 2020

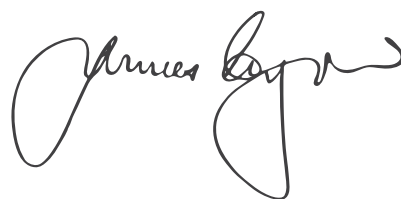
This is outstanding public recognition of Ian's, Kirrily's and Susan's contribution to the Australian Defence Force (ADF).

### In closing.

On a personal level, 2022 marks the end of my tenure as the chair of Defence Bank. After 12 years as a board member, six of which have been as chair, I would like to thank members, my fellow Board of Directors, both past and present, the Executive Team, and all Defence Bank employees for their hard work and support over the past 12 years.

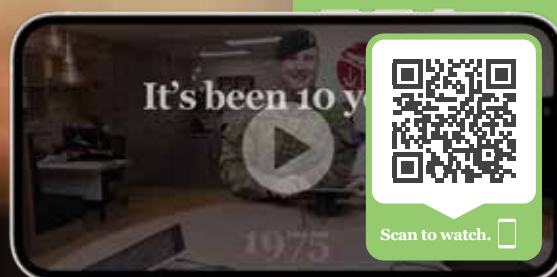
It has been my absolute pleasure and a privilege to serve Defence Bank over these past years and I leave content in the knowledge that the bank is fully committed and well positioned to serve the needs of the Australian Defence community.

Finally, I'd like to welcome Bruce Murphy into the role of chair and wish him every success in his stewardship of this great bank as it moves forward to meet the challenges and opportunities of the future.



**Fran Raymond.**  
Chair of the Board.

Watch Defence  
Bank's 10th  
anniversary video.



# CEO's report.



## 2022 saw Defence Bank celebrate its 10th anniversary as a mutual bank, so it is fitting that we were also able to celebrate the best year in our history.

The financial year saw Defence Bank record impressive profitability. Our capital position is strong, we achieved record lending volumes, and our outstanding credit rating was re-affirmed by both Moody's and Standard & Poors.

It is noteworthy that Defence Bank recorded these achievements against the backdrop of the COVID-19 pandemic, several major flood events on the eastern seaboard of Australia, and the macroeconomic challenges of a rising interest rate environment coupled with high inflation and supply-chain issues.

### Our key highlights.

One of the key performance highlights is a 19.6% increase in net profit after tax. As a mutual bank, this means we can continue to reinvest directly back into the business for the future benefit of our members.

Other highlights include a 7.9% return on equity, an increase of 0.8% from the previous year, 6.9% growth in our loan book and 8.3% in our deposit book. Additionally, we have improved our cost-to-income ratio by 3.1% with net interest margin remaining in line with prior year at 1.98%.

We also recorded our highest loan funding year in Defence Bank's history with \$696m in total new fundings. This result included a record lending month of \$82m.

### Our unique connection with members.

Our success through the financial year did not happen by chance. It is predicated on a people-led, technology-enabled strategy.

With close to 50 years of history, Defence Bank has an unparalleled connection with the ADF. Many of our team are the sons, mothers, fathers, aunties, uncles or partners of ADF personnel. Most of our branches are on bases, making us part of those Defence communities.

We also have two serving senior ADF personnel on the Defence Bank Board. Not only is this a requirement for our board but also a unique point of difference across Australia's banking sector.

There are very few banks in Australia that can so clearly demonstrate a deep understanding of the ADF way of life, as we do. We will continue to embrace and deepen this relationship with the ADF and the wider Defence community, so that we can offer the right products and services that suit members, not only throughout their ADF careers but beyond.

Deposits up.

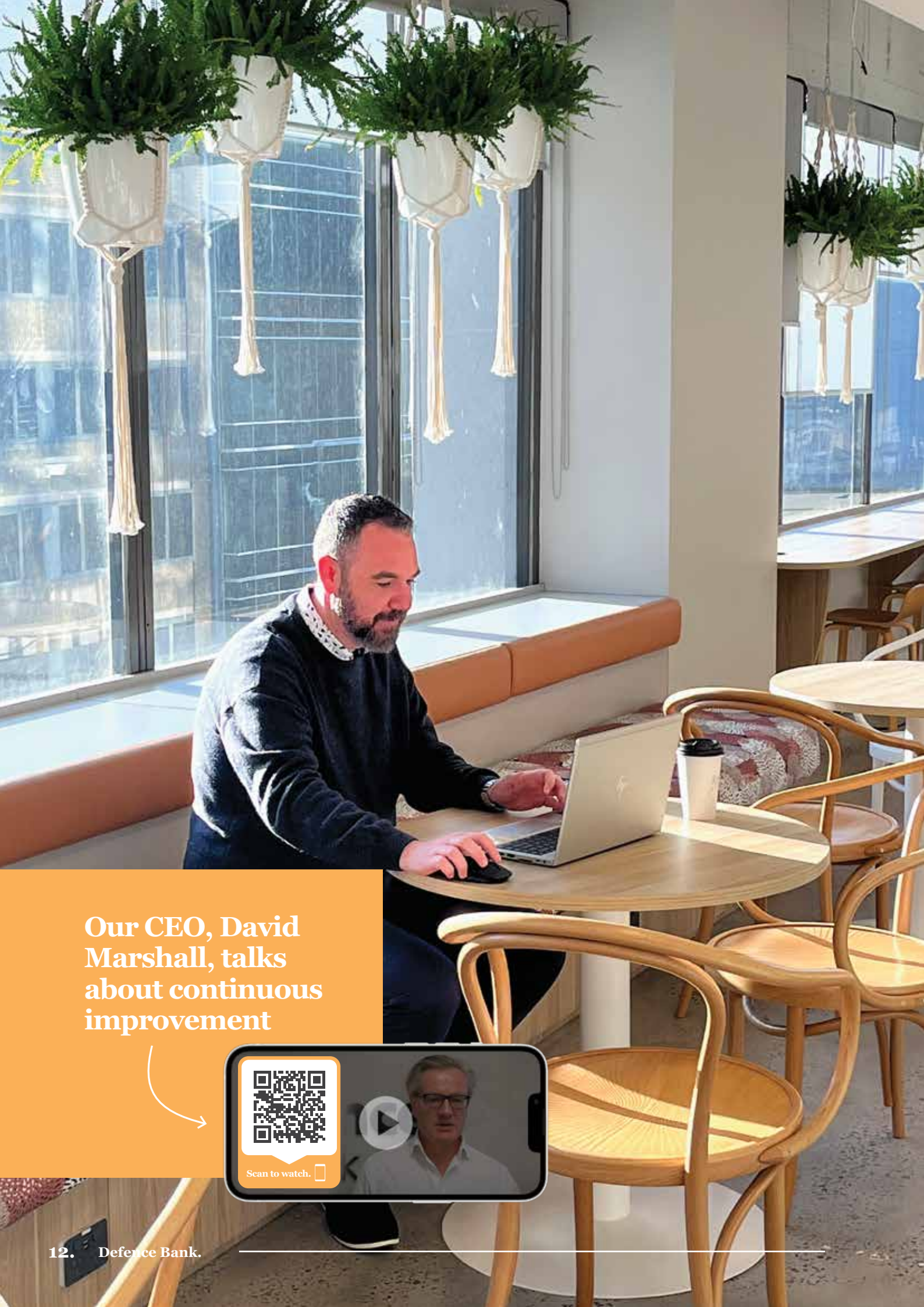
8.3%

Net interest margin.

1.98%

Return on equity.

7.9%



**Our CEO, David Marshall, talks about continuous improvement**



## Technology-enabled.

Through the financial year, we invested in our technology in order to offer outstanding digital services – tailored to the needs of our members.

Our app is highly rated with a current rating of 4.8 stars in both in the App Store and Google Play, and it is regularly updated on a quarterly basis so that members can enjoy better functionality and ease of banking. This continuous improvement is often based upon direct member feedback.

During the year we revitalised and refreshed our lending ecosystem. In particular, Defence Bank digitised our personal lending processes to deliver a more streamlined experience for members. As a result we have reduced the time it takes from loan application to approval and funding. Following positive feedback from both members and the Defence Bank team, we will soon extend this experience to home loans, credit cards, and overdrafts.

Investments and relationships like these should go some way to dispel the myth about bigger banks always being better digitally. Our new digital loan application allows us to offer a comparable and, in many ways, a more compelling service than our competitors.

## A strong capital position for future growth.

We also managed our balance sheet wisely and retained a rating of BBB | Positive | A-2 by S&P Global Ratings, with S&P noting our strong capitalisation and a member base with stable debt serviceability prospects.

S&P expects Defence Bank's "very strong capital position will continue to underpin its credit profile", supported by our position as an approved *Defence Home Ownership Assistance Scheme* (DHOAS) bank to provide mortgage lending to our core ADF-affiliated member base.

Additionally, we have a Baa1 | Stable | P-2 rating from Moody's Investor Services.

These are positive endorsements of Defence Bank's long-term prospects, strategy and sustainability, and a powerful third-party recognition of the relationship we have with members, our delivery of tailored banking products and service to the Defence community, and our overwhelmingly strong prospects for the future.

## New ways of working.

We have embraced new ways of working driven by COVID-19, and we remain committed to a hybrid-working model and distributed workforce. A key outcome of this is that our Contact Centre is now Australia-wide, allowing members to reach out to us over longer hours.

Our Australia-wide branch network continues to adapt and evolve to reflect the changing needs of Defence Force personnel, and the bank is investing significant resources into our digital and online offerings, so that members can be served equally whether they are located at a base in Australia or on deployment overseas.

## 'Thank you' to our team.

Finally, our people are a critical part of Defence Bank's success. We have acknowledged the commitment of our team throughout the pandemic with the evolution of our hybrid-working model that encourages flexibility, adaptability, and inclusion.

I would like to take this opportunity to thank all Defence Bank employees for their dedication and commitment to our members over the past financial year.

I invite all our members to take a look through our Annual Review for the year ended 30 June 2022. I am confident you will be reassured that Defence Bank is not only committed to your current banking needs, but that we are well-placed to serve those needs long into the future.



**David Marshall.**  
Chief Executive Officer.

# Our members.

**Defence Bank's unique point of difference has always been our thorough understanding of the ADF way of life. The products and services we offer reflect this. Members are at the core of everything we do and we seek to continuously improve every day.**

## **ADF life is like no other, so it deserves banking products like no other.**

The year saw our continued participation in the government's *Defence Home Ownership Assistance Scheme* (DHOAS) in support of the ADF, as well as the Home Guarantee Scheme (HGS) – an Australian Government initiative to support eligible first home buyers to purchase a home sooner.

During the year under the HGS, we were able to provide finance to 81 first homebuyers across Australia. We look forward to helping many more Australians into their first homes.

Additionally, the Salute deposit account continues to grow in popularity with increasing member take up and balances. It's a unique account that rewards deployment and key service milestones in the ADF with a high rate of interest, and is just another way in which we actively show our support for ADF personnel.

Our Defence Bank Foundation credit card not only won an award, but also gave cardholders a much-needed means to reduce their cost of living with one of Australia's lowest ongoing interest rates. The card, via a donation of half the annual fee, helps to raise funds for Defence Community Dogs: a specialised assistance dog training program that rescues abandoned dogs and trains them through correctional services to assist veterans living with PTSD, depression, and anxiety.

## **Ratings and awards.**

Defence Bank won Mozo's Award for the second year running for our Essentials Fixed Home Loan (Ultimate Package) in the category of Investor Fixed Home Loan.

The Defence Bank Foundation Credit Card was winner of a Mozo Experts Choice Award in the Low-Rate Credit Card of the Year.



Our mobile app maintained its rating of 4.8 in both the App Store and on Google Play, making it one of the highest rating banking apps in Australia. This rating is still significantly higher than all of the four major banks. (Current as at 30 June 2022).

We continue to improve the app with regular upgrades. This commitment to incremental enhancements helps make the app more convenient for members.



Our members.

Net Promoter Score.

**+51**

**FY22.**

**Strong member advocacy.**

We are happy to report we have seen increased member advocacy from you – our members. This year saw Defence Bank achieve an average Net Promoter Score (NPS) of 51, with a record high score of +58 recorded in November 2021.

NPS measures an organisation's performance through the eyes of its customers, and a score above 50 is regarded as "excellent". By way of comparison, none of Australia's major banks have an NPS above 20. We are deeply proud of this level of high member advocacy.



**Educating  
members is our  
priority.**



Scan to  
learn more.

In March 2022, we launched our Home Loans 101 video series covering 18 key home loan topics. Each video covers one topic, with zero jargon, in around one minute, and is designed to demystify home loans.

Since its launch in 2021, we've also added a further 62 topics to our Intel blog since its launch in 2021. The blog now contains more than 120 useful articles across a range of topics including protecting yourself from scams, fraud and online security; managing money; understanding debt; types of insurance cover, and credit scores.

Home Loans 101 and the Intel blog are a valuable resource for members to reference and educate themselves, and we encourage you to access them via the Defence Bank website.

# Our people.

**Throughout the year our Defence Bank people have demonstrated resilience, ingenuity, growth, but above all, a commitment to living our purpose by serving those who protect us.**

The success of our bank relies heavily on the talented people who strive to provide the best banking experience for our members, and we are very proud of the work they do.

This year, the bank has continued to go from strength to strength and to integrate innovative ways of working that look to the future and support our people's growth.

Our strong people-led, technology-enabled focus is empowering our employees like never before, through enhanced capability, learning, and communication.

## The future of working.

Defence Bank is looking to the future of our "ways of working" through the integration of a new world-class flexible working model.

Building on the support provided throughout the pandemic, this model has challenged traditional working norms and allows Defence Bank to expand remote working opportunities to include support office roles. Our people can now work from anywhere in Australia, be it at one of our branch locations, remotely from any state, or in our Melbourne support office.

The benefits of our flexible working model continue to positively impact the work-life balance of our people with less travel, greater "focus" time, and connection opportunities for the moments that matter.

Our employees tell us our new working model is working, with fantastic feedback in our employee surveys:

- "Defence Bank has successfully implemented a flexible working model" - 88% favourable.
- "My team's flexible working model is working well" - 89% favourable.
- "I have the flexibility I need to manage work and other commitments" - 91% favourable.

Flexible working is the way forward, and over the past year we have continued to equip our employees with the tools, technology and capability to support them in a remote environment.

We are equipping our branches too. Defence Bank is leading the way as one of the first mutual banks in Australia to roll-out laptops to our branch managers so that we can support them to work remotely when needed. With daily challenges of the pandemic, natural disasters, and other local resourcing challenges, we are committed to keeping our branches running – even from a distance.

In July 2021, we were excited to open our new support office in Melbourne. The modern and dynamic space was developed with productivity, collaboration, and the wellbeing of our people in mind.

Although employees can come into support office to complete core functions of their role, we encourage them to use "in office" time to focus on connection, collaboration, and creativity.

## New ways of thinking.

Defence Bank champions a growth mindset and encourages our people to share innovative and new ideas.

Our people are continuously improving, and this year undertook record levels of skill development and training. In addition to compliance, this training has helped our employees to develop in their careers and to embrace new ways of thinking.

Leadership behaviours are a key component to our reward and recognition framework, and this year we integrated regular leadership strategy sessions into our working rhythm. We also offered specialised leadership coaching sessions to build greater capability and self-awareness.

**"I work for Defence Bank because I feel like I belong here. I feel like my leaders see me for who I am, and for my potential."**

**– Nicole Connor.**

Our people.

“

“I love that I have been part of many people’s journeys and the meaningful connections created with not only my team but also with the members. We truly understand our members’ lifestyles and, therefore, understand their needs and wants.”

– Liz Keeley.

“Flexibility has allowed me to see my daughter walk and talk for the first time, work on my health at the gym at lunch, and choose the critical moments where it benefits me to meet in the office with peers.”

– Ben Beenie

“Remote working is fantastic. It has provided people with the ability to lead healthier and happier lives - all while still working and connecting with team mates.”

– Anon.

”

“Defence Bank embraces a culture of community. We all work to help each other and step up when needed. We are not a number, and I think this makes me feel especially valued.”

– Jac O’Brien

Take a tour  
through our  
support office.



### A framework for success.

As part of celebrating our employees, we have implemented a fresh and innovative reward and recognition framework across Defence Bank.

The framework centres around competency and skill development, as well as providing recognition for both the large and small contributions of our employees.

The new framework includes:

- Salary benchmarking to ensure we remain competitive and our employees are fairly paid.
- A competency-based pay model for our branch-based roles, rewarding employees for new skill development.
- Monthly employee awards which recognise the contributions of our people.
- Our TOFY (This One's For You) platform which went live for employees in December. This dedicated site enables our employees to access discounts from more than 400 retailers. This assists our employees to cut the cost of living of their everyday expenses.
- Annual recognition of service milestones and birthdays.
- Recognition from our leaders. This year, leaders awarded 217 awards to their teams in recognition of their work. The TOFY platform also houses a free wellbeing program for all employees with a focus on healthy eating, mindfulness, and exercise.

### Caring for our people.

In these times of great change, the wellbeing of our people is of the highest importance.

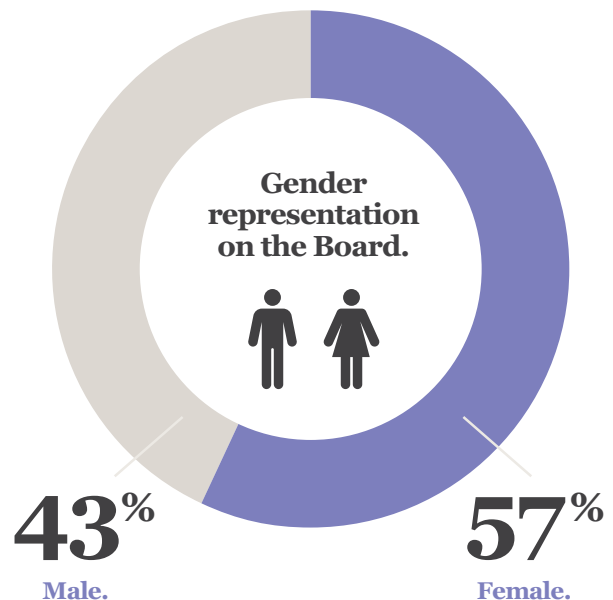
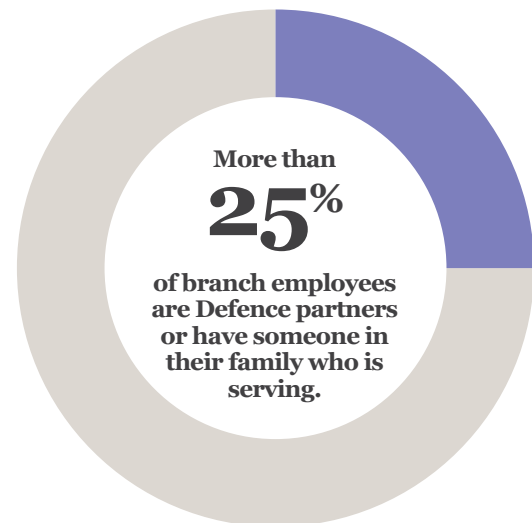
This year, we continued to support our people through the pandemic and the NSW and QLD flood disasters, providing additional leave, flexibility, and support programs.

Since 2020, 176 employees have accessed pandemic and vaccination leave (including for the third and fourth booster vaccinations). Defence Bank also provided free access to the influenza shot to support the health of our people and combat an increase in flu cases as people returned after lockdowns.

Defence Bank supports employees with a range of in-house and external programs and activities that promote physical and emotional wellbeing. These include mindfulness and psychological safety training, R U OK Day activities to encourage our employees to check in on their peers, and our employee assistance program that gives free access to counselling and support to our people and their families.

### A culture of belonging.

Defence Bank offers its employees a safe and inclusive work environment, and equal opportunities, resources, and rewards. We are proud of our Workplace Gender Equality Report results that showed that our workforce believes they are supported. "The person I reports to genuinely supports equality between genders" - rated 96% favourable.



This year, Defence Bank was once again a finalist in the *Prime Minister's Award for Veterans Employment* in the excellence in spouse employment category. More than 25% of our branch employees are either Defence partners or have someone in their family who is serving, and we understand their unique needs. The bank supports our Defence community, and has a strong history of hiring Defence partners and guiding their career development.

### Thank you.

Our people continue to grow and embrace new and exciting ways of working. We thank our employees for their contributions to Defence Bank's success this year and for their commitment to our members.

Our people.



**Our CEO, David Marshall, talks about hybrid working.**

# Our community.

## Changing lives and supporting veterans.

Throughout the financial year, Defence Bank demonstrated first-hand support to ADF veterans through the Defence Bank Foundation, and its important work with Defence Community Dogs.

We are particularly proud of the work of the Defence Bank Foundation, a charity whose sole beneficiary is Defence Community Dogs. The year saw the 66th assistance dog provided to a veteran under the program. We know the Community Dogs program does more than change lives – it saves lives.

We believe it is one of Australia's greatest causes. The Defence Community Dogs program delivers a win on many levels. Rescued and rehomed dogs gain a second chance at life. Inmates learn important skills, and veterans receive a loving companion to help improve their lives – refinding their purpose and community.

We also help to fund the program via our Defence Bank Foundation Visa Credit card. It costs \$30,000 to fully train an assistance dog. The card, which donates half the annual fee to the Foundation is well on the way to surpassing this amount and will continue to help this great cause, along with the generous support of the Defence community and benefactors.

A huge thank you to the trustees and team members of the Foundation for their tireless efforts in changing lives for veterans and serving ADF living with PTSD.

**Contribution  
to the Defence  
community.**

**\$437,151**

The Defence community is a community like no other and we are happy to support it, where we can, across a range of activities that include attending Defence community organisation days and Christmas treats, and sponsorships across sport and events. The main support we extend is via our Defence Bank Foundation.

**We have been happy to support more than 40 initiatives over the year.**

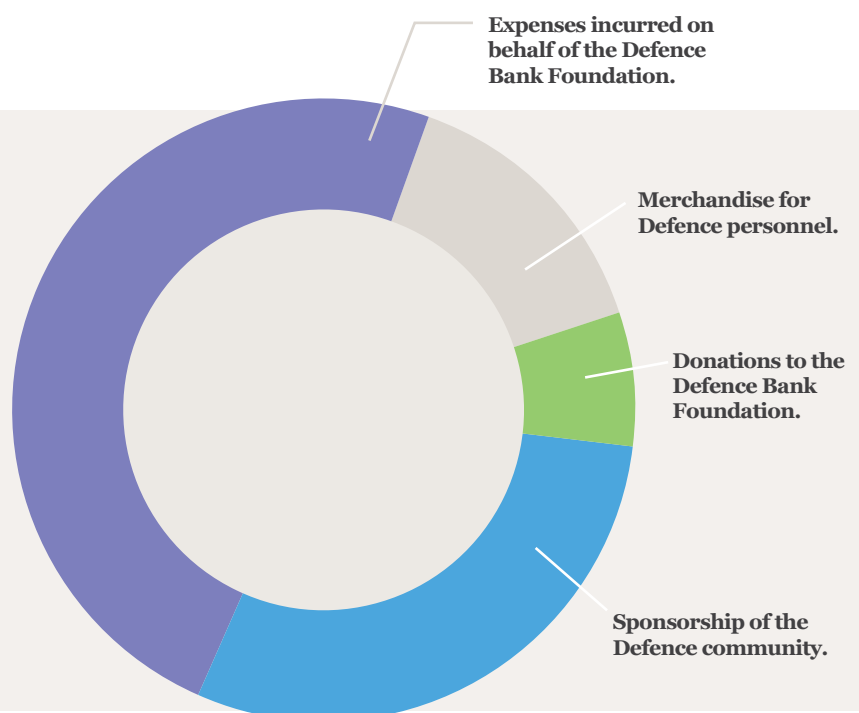
## The home front.

At Defence Bank, we understand that the “home front” plays a vital role in supporting the serving men and women of the ADF. We have been pleased to support the people and organisations that are making a difference.

One of the beneficiaries of this support has been the *Military Life* podcast which highlights and advocates the role of Defence partners. In conjunction with *Military Life*, we launched the *Spouse & Partner* banking forum. This is held quarterly and helps us understand how we can provide a better banking service to the men and women behind the men and women of the ADF.

The year also saw, among others, our continued support to *Military Wives Choir*; DEFGLIS - who support and represent Australian Defence Force LGBTQI people and their families. We also supported Defence Kidz who published a series of children's books that give young children a tool for understanding the important work undertaken by their Defence parents.

These groups champion and promote the values of inclusion, diversity and service to the Defence community, and we applaud them for their efforts.





Our community.



**Defence Bank**  
FUNDATION



Proudly supports

**DEFENCE  
COMMUNITY  
DOGS**

# 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.

The Board of Defence Bank currently consists of seven independent non-executive directors.

As well as the Company Secretary, the Chief Financial Officer of Defence Bank acts as a Company Secretary 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 of 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 have academic and commercial qualifications and experience to enable them to undertake their role as directors. Details of directors' qualifications are shown on pages 26-29. 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.

## Committee structure.

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

### 1. Governance & Remuneration Committee.

This committee assists the Board in the development of recommendations on any changes to governance practices, processes for the evaluation of Board committees, individual director performance, and review and development of Board Governance Policy. This committee also reviews and makes recommendation to the Board on the remuneration of directors and executives.

### 2. Risk & Compliance Committee.

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

### 3. 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.

### 4. 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 meet selection guidance which is determined by the Board of directors from time to time pursuant to Defence Bank's constitution.

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

### About Defence Bank.

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

Defence Bank is one of Australia's larger member-owned banks, serving not only the Australian Defence Force but also the broader community, including staff in commonwealth department agencies.

Defence Bank has operated for more than 45 years and now has over 76,000 customers around Australia, of which the majority are voting members, \$3.2 billion in assets and 32 branches. Our Purpose is *to serve those who protect us* and focuses on the financial needs of our members, not on profit maximisation for shareholders.

The Bank has a rating of BBB | Positive | A-2 by S&P Global Ratings and a rating of Baa1 | Stable | P-2 by credit rating agency Moody's.

**Standard  
and Poor's.**

**BBB.  
Positive.  
A-2.**

**Moody's.**

**Baa1.  
Stable.  
P-2.**

# Sustainability at Defence Bank.

**We are committed to ongoing improvement in how we serve our members, invest in the community, govern our business, and care for our people and the environment. We believe this is critical to creating long-term sustainable value for our members and other stakeholders.**

As a result, we've begun our journey to understand what this means for Defence Bank given our unique field of membership.

## Stakeholder engagement.

We've conducted a stakeholder survey and a number of management workshops which helped us to gain valuable and authentic insights on the importance of Environmental, Social, and Governance (ESG) factors from our stakeholders' perspective with responses from over 500 members and 110 employees.

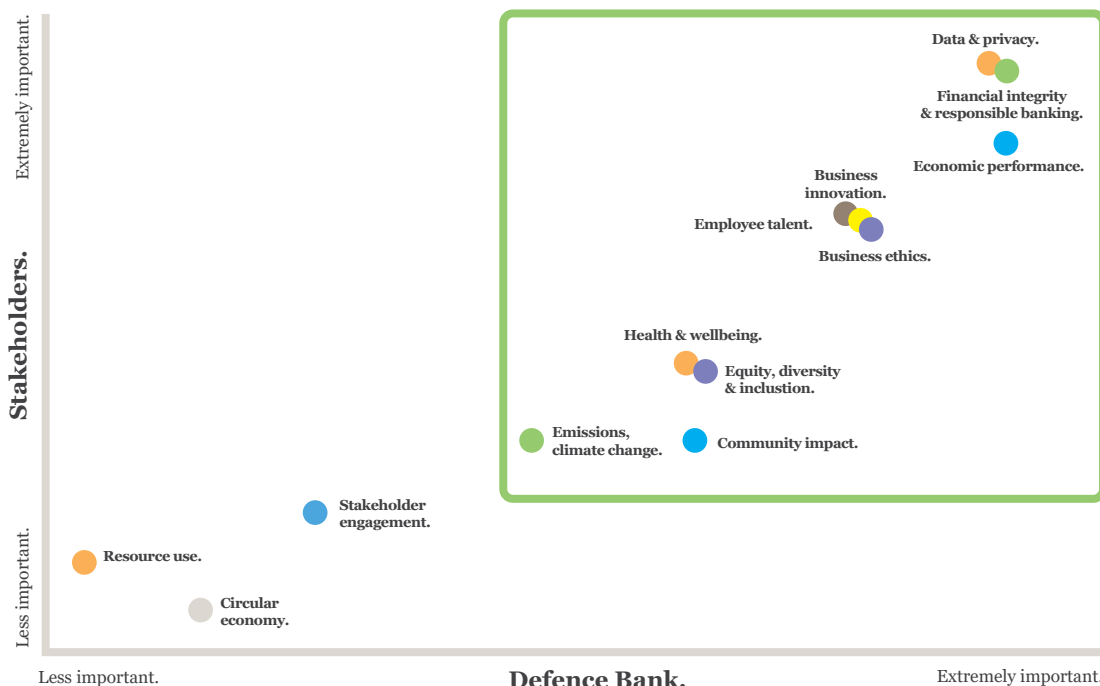
This identified a list of potential material topics based on stakeholder expectations. These findings suggest that from a member and employee perspective, a program would optimally include the following material topics.

- Financial integrity and responsible banking
- Data and privacy
- Diversity, equity and inclusion
- Community impact
- Emissions, climate change

To this we added another layer which included our understanding of ESG-related risks and peer reviews.

## Prioritisation.

We then sought to prioritise these material topics using two key dimensions: importance to Defence Bank and importance to stakeholders (see materiality matrix below), we conducted a workshop with Defence Bank's management to assess and validate the survey results. This has resulted in the development of a ranked list of material topics based on the engagement results.





Members of DEFGLIS laying a rainbow wreath at the Australian War Memorial on ANZAC Day 2022.

### Where to from here?

We will seek final agreement from Defence Bank's Board of Directors and management around the list of material topics for disclosure. We are committed to improving our sustainability performance through developing our sustainability ambition, aligning with international reporting frameworks and expansion of our data collection.

Our near-term actions are shown below:

#### Sustainability positioning.

- Finalise our materiality assessment and priorities.
- Develop an ambition statement to ensure sustainability is embedded through all levels and functions of the organisation.

#### Report frameworks alignment.

- Explore suitable reporting frameworks such as GRI Standards.
- Begin ESG data collection based on the materiality assessment results.

#### Climate disclosure enhancement.

- Develop a roadmap to align with Task Force on Climate-Related Financial Disclosures (TCFD) pillars:
  - Governance.
  - Strategy.
  - Risk management.
  - Metrics targets.

#### Sustainability reporting.

- Release Defence Bank's inaugural sustainability report in FY23.

We look forward to sharing our progress in 12 months' time.

# Board of Directors.



## Fran Raymond.

BCom, MBA, FCA, FAICD, GDPPM, FSAA.

### Chair of the Board.

Fran is a Fellow of the Australian Institute of Company Directors and the Institute of Chartered Accountants (Aust/NZ).

Fran has held senior roles in government including Chief Financial Officer and Chief Operating Officer for various Departments and Agencies. She is currently a Board member of Annecto, the Australian National Audit and Risk Management Committee, and the National Health and Medical Research Council Audit and Risk Committee.

Fran was a councillor of the ACT AICD. She was also on the AICD National Education Advisory Committee and served as a Director at UN Women (Australia), chairing the Finance, Audit & Risk and Public Funds Committees.

Fran was a finalist in the Telstra Business Woman of the Year Awards, and listed on Australia's 100 Women of Influence in 2010.

**Our Board of Directors oversees the strategic direction of Defence Bank, and ensures our statutory and legal requirements are met.**



**Joan Fitzpatrick.**

BA (Hons) LLB, ANZIIF Fellow, CIP, FAICD.  
**Director.**

Joan's executive and director experience covers the corporate, government and not-for-profit sectors.

Originally qualified as a barrister, Joan's management career began at 20th Century Fox's fast-moving consumer goods enterprise in London. She went on to hold senior management roles in heavy manufacturing industries, large start-up projects in Europe, and international insurance operations in Asia. For more than 16 years, she worked as CEO and Director of the Australian and New Zealand Institute of Insurance & Finance.

Joan currently works within a diverse portfolio of non-executive director roles, and consults across a wide range of organisations in the areas of strategic planning, leadership, governance and risk.

She is often called upon to work with teams to address governance issues and create frameworks to meet best practice standards and regulatory compliance requirements.



**Bruce Murphy.**

BSc, MCom, PGD, GAICD.  
**Director.**

Bruce started his career in the Royal Australian Navy, serving as an officer from 1982 to 1990. He has since gained extensive financial services experience across retail banking, superannuation and funds management. 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 from 2000 to 2004. He then became an executive director with Macquarie Group (2004 to 2009) where he was responsible for local and global distribution of funds management products.

Bruce was Managing Director of BNY Mellon Investment Management from 2009 to 2015, responsible for the Australian Investment Management Business. He now leads Insight Investment's business for Australia and New Zealand.

# Board of Directors.



## Rear Admiral Ian Murray, AM, RAN.

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

### Director.

Ian has been a Defence Bank member since 1999. With 36 years' service in the Australian Defence Force, he has recently served as Commander Joint Logistics and acted as Chief of Joint Capabilities.

Ian has been Chair of the Navy Canteens Board and a Director of the Navy Relief Trust Fund Board. He is Chair of Australian Defence Force Rugby Union. A graduate of the Australian Defence Force Academy and the Australian Army Command and Staff Course, Ian has been 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 Capstone and Pinnacle Diplomas from the US National Defense University. Ian is a graduate of the AICD, a Fellow of the Chartered Institute of Logistics and Transport Australia, and a Certified Professional of the Australian HR Institute.



## Anne Myers.

MBA (AGSM), FAICD.

### Director.

Anne is an experienced non-executive director who has held governance roles across the banking, education and technology sectors. She also has executive level experience spanning retail banking, insurance, funds management and superannuation.

Anne's executive experience encompassed a wide variety of roles in financial services with a strong focus on digital and technology. These included senior roles at Macquarie Bank, St.George, QBE and most recently as Chief Operating Officer of ING Direct. Anne's combination of strong digital and technology skills, coupled with exceptional risk management and strategy experience, enables her to bring a unique perspective to her board roles and to add value across a variety of industries.

With more than 30 years' experience in the finance industry, Anne also provides a sound understanding of the legislative and regulatory requirements of retail banking.

**Directors serve a term of three years, with elections held annually. The Directors are announced at the Annual General Meeting held in November.**



### **Group Captain Jeffrey Howard.**

OAM, FIEAust, CPEng, GAICD, BE, MCom, MA, psc(j)

#### **Director.**

Jeffrey commenced his Air Force career at the Australian Defence Force Academy in 1996. He has served in a variety of Air Force technical engineering and leadership roles around Australia, including as the Commanding Officer of Number 65 Squadron where he was awarded the Medal of the Order of Australia. Jeffrey has had multiple operational deployments in Afghanistan, the Middle East, and Solomon Islands where he has worked in joint and coalition environments.

Jeffrey holds a Bachelor of Engineering (Civil), a Master of Commerce (Accounting), a Master of Arts (Strategy and Management), and a Certificate IV in Business Coaching. He is a Graduate of the Australian Institute of Company Directors Course, Fellow and Chartered Professional Engineer with Engineers Australia, and a Graduate of the Australian Command and Staff College. Combining his skills, knowledge and experience, Jeffrey has served on a number of community, national, and international boards and committees, including an appointment as the Deputy Chair of the Engineers Australia Civil College Board.



### **Pam Rebecca.**

BBus(Accy) (with Distinction), MBA, GAICD  
**Director.**

Pam has extensive experience as a senior executive across both the Banking and For Purpose sectors, with a diverse background in digital, innovation, corporate strategy and retail banking. In recent years, Pam's career has focused on leading and influencing digital transformation, with key roles including Chief of Strategy, Innovation and Digital for World Vision Australia, and General Manager Digital for ANZ Banking Group.

Pam's experiences in digital transformation and strategy across multiple sectors are coupled with over 25 years in retail banking. This has equipped her with a broad range of skills including leading large customer service operations and as a banker working directly with customers. Her many roles in banking have enabled Pam to build a strong understanding of the breadth of retail banking operations alongside the risk and regulatory framework within which retail banks operate.

# Executive Team.



## David Marshall.

BCom, Post Grad. Dip. Com, Executive Development Program.

### Chief Executive Officer.

David commenced as Chief Executive Officer of Defence Bank in February 2018. Since commencing in his role, David has been deeply focused on implementing initiatives to support the ADF community from a banking and finance perspective, whilst also building the capability and engagement of our employees via continuous improvement on a day to day basis.

David has spent 35 years in the financial services sector in Australia and New Zealand. During this time, he has led major retail and business banking divisions in major and regional banks.

Prior to his appointment as CEO of Defence Bank he was CEO of Hume Bank, a leading Mutual Bank in Regional NSW/Victoria. He is a passionate advocate for the member-owned banking sector and its role in the contemporary financial services landscape within Australia.

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

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



### Dean Barton.

BCom, FFin, CPA, GAICD.

#### Chief Financial Officer.

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

Dean has more than 20 years' local and international experience in financial roles including Financial Controller for ME Bank, and Asia-Pacific Regional Financial Controller for GMAC Financial Services.

Dean is a Fellow of CPA Australia and the Financial Services Institute of Australasia, and a graduate member of AICD. Dean holds a BCom from the University of Western Australia majoring in Accounting and Economics.



### Kristen Bugeja.

BCom, CAHRI.

#### Chief People Officer.

Kristen Bugeja leads the People & Capability team at Defence Bank. She has more than 24 years' experience in the financial services sector.

Kristen has had extensive experience in delivering the cultural change that underpins Defence Bank's business strategy. She has successfully driven change across the people portfolio in areas including employee engagement, leadership development, ways of working, Defence Bank's employee value proposition and talent development. Under her guidance, Defence Bank was awarded the *Prime Minister's Excellence in Supporting Spouse Employment* award in 2019 and was also a finalist for this award in 2020 and 2021. Kristen is a certified member of the Australian HR Institute.

# Executive Team.



## Linda Craven.

BSc, Post Grad. Dip. Computing, MBA, GAICD.

### Chief Digital & Information Officer.

Linda Craven became Chief Digital & Information Officer in August 2018. She brings with her more than 20 years' experience in technology and consulting within the financial services sector.

Linda holds a Master of Business Administration, 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 AICD. 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.

Linda leads the Defence Bank's technology strategy and platforms with a goal to making it easier for our members to bank with us, improving efficiencies and driving technology innovations.



## Marnie Fletcher.

AAICD, B Com, B Arts, Post. Grad. Dip Applied Information Systems.

### Chief Member & Growth Officer.

Marnie joined Defence Bank in February 2021 as Chief Member & Growth Officer. Marnie brings with her 24 years' experience in banking across a range of financial institutions including Esanda, ANZ, Westpac and ME. Whilst having worked with a broad spectrum of customers from Institutional through to Retail, her passion is for the everyday Australian and helping people create a better life through good financial decisions.

Marnie has had extensive experience delivering transformation programs, risk management, driving growth and leading teams at scale.

Marnie leads our Frontline teams as well as our Lending Operations, Member Operations, Member Direct and Member Care divisions. These teams have a direct line to our members and are the front face of Defence Bank. Marnie is also the sponsor of our Lending Journey Continuous Improvement Program.

Marnie is incredibly passionate about giving her people the permission to lead and learn – creating a 'tribe' who genuinely care and connect with our purpose of serving those who protect us.



### Michael O'Reilly.

BA, Grad. Dip. Marketing.

#### Chief Marketing & Product Officer.

Michael joined Defence Bank as Executive Manager of Marketing in December 2017. He brings with him more than 25 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 experience also includes working abroad as a Product Manager for Lloyds TSB.

Michael leads the day-to-day marketing functions with specific responsibility for brand, marketing strategy and product.



### Mano Simos.

BBus Accounting, Grad. Dip.  
Banking & Finance, GAICD.

#### Chief Risk Officer.

Mano has been Chief Risk Officer at Defence Bank since October 2013. He is primarily responsible for the development and oversight of the bank's Risk & Compliance Management Framework. Mano leads a team who collaborates with 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 & Compliance Committee with assurance and insights around the management of our current and emerging bank wide risks including credit risk oversight and financial crime.

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

Mano is a graduate member of the AICD.

# Financial extract.

## Consolidated statement of profit or loss and other comprehensive income for the financial year ended 30 June 2022.

	2022 \$000	2021 \$000
<b>Income.</b>		
Interest income.	72,523	74,366
Interest expense.	(11,881)	(17,946)
Net interest income.	<b>60,642</b>	<b>56,420</b>
Net gain on equity investments designated as fair value through profit or loss.	3,686	-
Other income.	8,261	7,054
	<b>72,589</b>	<b>63,474</b>
<b>Expenses.</b>		
Personnel expenses.	24,640	22,274
Depreciation and amortisation expense.	2,634	2,751
Increase / (decrease) in provision on loans and advances.	727	(609)
Other expenses.	20,983	19,125
	<b>48,984</b>	<b>43,541</b>
Profit before income tax.	<b>23,605</b>	<b>19,933</b>
Income tax expense.	6,950	6,009
Profit for the year from continuing operations.	<b>16,655</b>	<b>13,924</b>
Other comprehensive income.	-	-
Total comprehensive income.	<b>16,655</b>	<b>13,924</b>

This 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.

## Consolidated statement of financial position as at 30 June 2022.

	2022 \$000	2021 \$000
<b>Assets.</b>		
Cash and cash equivalents.	120,269	117,596
Investments.	403,069	396,366
Equity investments.	5,325	1,639
Trade and other receivables.	523	527
Loans and advances.	2,667,069	2,496,066
Property, plant and equipment.	2,263	3,456
Intangible assets.	435	756
Right of use assets.	3,578	2,765
Deferred tax assets.	1,759	2,404
Other assets.	2,215	1,233
	<b>3,206,505</b>	<b>3,022,808</b>
<b>Liabilities.</b>		
Trade and other payables.	3,252	4,617
Current tax liabilities.	159	714
Deposits.	2,524,637	2,330,830
Lease liabilities.	3,675	2,787
Borrowings.	449,567	475,879
Provisions.	5,657	5,078
	<b>2,986,947</b>	<b>2,819,905</b>
Net assets.	<b>219,558</b>	<b>202,903</b>
<b>Equity.</b>		
Share capital.	1,167	1,100
Reserves.	218,391	201,803
Retained earnings.	-	-
	<b>219,558</b>	<b>202,903</b>

This consolidated statement of financial position has been extracted from the audited Annual Financial Report.  
This extract has not been separately audited.

# Anytime, anywhere banking.

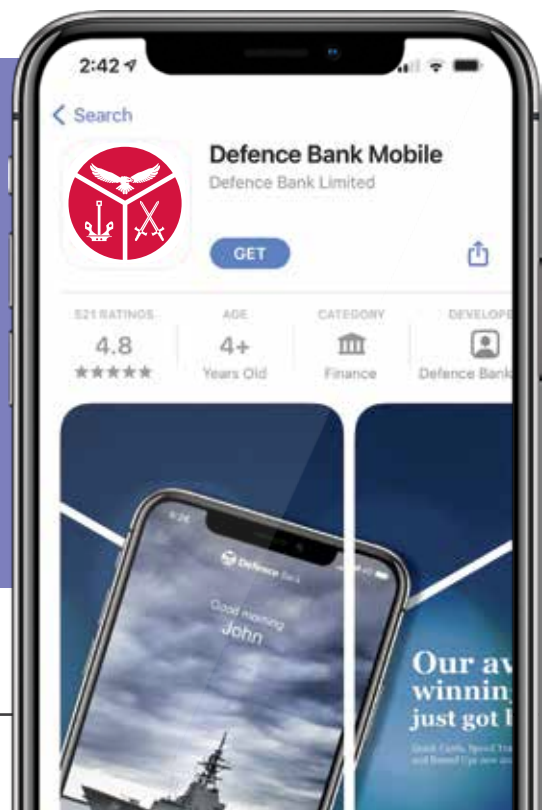
Desktops, tablets, mobiles, watches –  
anytime, anywhere banking – your way.



We give members choice. Apple Pay,  
Samsung Pay, Google Pay, Fitbit Pay,  
and Garmin Pay. Pay your way.



★★★★★  
Members have rated  
our award-winning app  
**4.8 stars.**  
as at 30 June 2022.





**Defence**  
Bank



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**We count on you.  
And you can count on us.**



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