



2019

Australian Military Bank Ltd Notice of Annual General Meeting

Notice is given that the 60th Annual General Meeting of Australian Military Bank Ltd [ABN 48 087 649 741] ("the Bank") will be held on:

Wednesday 30 October 2019 at 5.00pm (AEDT)

Four Seasons Hotel, 199 George Street, Sydney NSW 2000
RSVP: (02) 9240 4170 or agm2019@australianmilitarybank.com.au

2019 NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 60th Annual General Meeting of Australian Military Bank Ltd [ABN 48 087 649 741] ("the Bank") will be held on:

Wednesday 30 October 2019 at 5.00pm (AEDT)

Four Seasons Hotel Sydney
199 George Street, Sydney NSW 2000

AGENDA

- 1. Minutes:** to consider the minutes of the 59th Annual General Meeting held on 30 November 2018.
- 2. Financial statements and reports:** To receive and consider the Bank's Financial Report, Directors' Report and the Auditor's Report for the period ended 30 June 2019.
- 3. Amend the Constitution:** To consider, and if thought fit, pass the following resolutions as separate special resolutions:

That the Bank's Constitution be amended as marked-up in the copy of the Constitution which is tabled at the Meeting and signed by the Chair of the Meeting for the purposes of identification.

- (a)** Add a process to facilitate the issue of Mutual Capital Instruments (MCIs) under the Treasury Laws Amendment (Mutual Reforms) Act 2019;

and

- (a)** Increase the number of directors that may be Board appointed.

The proposed amendments to the Bank's Constitution are described in the Explanatory Notes to this Notice. A copy of the Constitution marked-up with the proposed amendments is available on our website. Alternatively, members can request a copy by emailing the Bank at: agm2019@australianmilitarybank.com.au

A copy will also be available to view at the Annual General Meeting.

- 4. Director Appointments:** To consider, and if thought fit, pass each of the following as separate resolutions:

- (a) Appointment of Jodie Hampshire**

That Jodie Hampshire be reappointed as a Director of Australian Military Bank.

- (b) Appointment of Bruce Scott**

That Bruce Scott be reappointed as a Director of Australian Military Bank.

Information about the candidates is included in the Explanatory Notes to this Notice.

- 5. Directors' remuneration:** To consider, and if thought fit, pass the following resolution:

That the maximum aggregate remuneration of elected directors be set at \$448,235 per financial year commencing with the financial year ending 30 June 2020.

Proxies

You can appoint a proxy to attend and vote at the meeting on your behalf. The proxy does not need to be a member of the Bank. An appointment of proxy form can be obtained from Link Market Services by calling 1300 554 474 or email to registrars@linkmarketservices.com.au

By Order of the Board of Directors

Joa De Wet

Company Secretary
4 October 2019

EXPLANATORY NOTES

The Explanatory Notes that follow provide important information regarding the items of business to be considered at the Annual General Meeting.

Your vote is important. By voting, you are involved in the future of the Bank.

Agenda Item 1: Minutes

While this item does not require a formal resolution to be put to the meeting, members will be given an opportunity to consider and note matters contained within the minutes of the 2018 AGM held on 30 November 2018. The draft minutes will be available at the meeting or by emailing agm2019@australianmilitarybank.com.au

Agenda Item 2: Financial statements and reports

Section 317 of the Corporations Act 2001 requires that the Financial Report, Directors' Report and the Auditor's Report be presented at the Annual General Meeting.

Neither the *Corporations Act 2001*, nor the Bank's Constitution requires a vote at the AGM to adopt such reports. However, the Directors believe that asking members to receive and consider these reports at the meeting is an important way to engage with members on important issues affecting the Bank. A copy of the 2019 annual financial report will be available on the Bank's website from Wednesday 9 October 2019.

Agenda Item 3: Amend the Constitution

The proposed special resolution seeks to amend the Bank's Constitution as follows:

- (a) Add a process to facilitate the issue of Mutual Capital Instruments (MCIs) under the Treasury Laws Amendment (Mutual Reforms) Act 2019.**

There are a number of important challenges facing mutuals; one of them is the way in which we are allowed to raise capital. We are faced with the inherent 'capital conundrum' which means we do not have the tools to raise investment capital without jeopardising our mutual status. We exist to serve our members, and demutualisation would mean abandoning our core business purpose. However, to address this real issue, legislation was amended to give mutuals the ability to issue MCIs earlier this year. What this means is that we now have the ability to issue MCIs providing entities like ours with access to a broader range of capital raising and investment options without risking our mutual structure or status (i.e. the mutuality principle: one member one vote is maintained).

Previously, a lack of a clear definition of an incorporated mutual and absence of any mutual-specific options to issue securities was a major barrier to the growth and development of the sector. It was seen as an artificial constraint on competition, with mutuals either needing to rely on retained earnings and debt, or consider losing their mutual status by issuing investor shares designed for proprietary companies. Now for the first time the law defines a mutual in the Corporations Act, demonstrating the importance of our sector as part of a diverse economy. This has been achieved whilst adding new safeguards to mutual ownership by ensuring member control remains paramount.

So what is a Mutual Capital Instrument (MCI)? MCIs are a new type of bespoke share for the mutual sector. As a type of share, a MCI is a 'security' for the purposes of the Corporations Act. Accordingly, MCIs are subject to the Corporations Act regulatory regimes that would ordinarily apply to the issuance of a share including fundraising and disclosure requirements.

In this regard Australian Military Bank will be providing the following in our constitution:

- that we intend to be a MCI mutual entity for the purposes of the Corporations Act;
- that all MCIs issued will be fully paid;
- that dividends in respect of MCIs are non-cumulative;
- the rights attached to MCIs with respect to participation in surplus assets and profits; and
- that debts owed to a holder of an MCI by way of a dividend (as per section 254V of the Corporations Act) are to rank ahead of all other debts owed to members in a winding up but rank below all other debts.

Why do we want to make these changes? A lack of capital can limit our growth and potentially affect our ability to develop and invest in new products or services. Becoming a MCI mutual entity may permit us to consider innovations into new business areas that may not have previously been possible. It may also allow us to take advantage of investment opportunities that due to the restricted access to capital have previously meant that these funds were not available. These changes may well level the playing field and allow us to serve you, our member, better into the future.

We are not proposing to issue any MCIs at this stage but amending our constitution will allow us to be ready to take advantage of these regulatory changes. Further, it will also give us the scope and flexibility that should the need arise to invest in working capital to fund a new initiative it can now be done in a way free of the difficulties now faced by mutuals.

To be passed this special resolution requires the approval of at least 75% of the votes validly cast by members.

The Board unanimously supports this special resolution and encourages members to vote in favour of the resolution at the AGM.

(b) Increase the number of directors that may be Board appointed.

Currently the Board is able to appoint up to 2 directors. It is proposed to increase this to 3. This will give your Bank added flexibility to ensure we have the right skill set on the Board. However, acknowledging the importance of maintaining a member focus and as determined by Division 13 of our Constitution, the Bank will maintain that a majority of Directors are to be elected by members.

To be passed this special resolution requires the approval of at least 75% of the votes validly cast by members.

The Board unanimously supports this special resolution and encourages members to vote in favour of the resolution at the AGM.

Agenda Items 4(a) & (b): Director Appointments

The Directors appointed at this AGM will hold office for a term ending at the conclusion of the AGM in 2022.



**Jodie
Hampshire**

- (a) Jodie Hampshire is currently filling a casual Director vacancy position on the Board for a term ending at the 2019 Annual General Meeting.

Jodie Hampshire has been an appointed Director since July 2015. She was Chair of the Risk Committee from 2016 – 2019 and has been Deputy Chair since February 2019. She is now seeking election for a three-year term.

Jodie's focus in her role will be ensuring that the AMB culture of customer service, communication and commitment to members and staff is consistently demonstrated through sound financial and risk oversight of the organisation.

Jodie is Managing Director, Australia for Russell Investments, a global multi-asset manager responsible for client assets of over \$400 billion. She leads the Australian business across its institutional, wholesale and retail offering. Jodie has almost twenty years of experience in the financial sector. She has worked in three countries both for large multinational organisations as well as her own business.

Jodie has a Bachelor of Commerce degree and is a CFA Charterholder. She brings financial acumen and sound judgement to her role with Australian Military Bank. She is also a Graduate of the Australian Institute of Company Directors, a volunteer with Freshwater Surf Life Saving Club and provides pro bono independent investment input to Down Syndrome NSW.



**Bruce
Scott**

(b) Bruce Scott is currently an existing Director of the Bank. In accordance with the Bank's Constitution, the term of office for this Director ends at the conclusion of the 2019 Annual General Meeting.

Noting the significant number of serving and retired ADF members in Northern Australia, I believe our Bank's members benefit from having an experienced company director based in the North. I therefore seek your vote to serve a 3rd term as a director of our Bank.

I have been a member of the ADF since 1974 with operational service in Malaysia, Somalia and Afghanistan. As a Combat Arms officer, my experience reflects command, operations and training appointments. I continue to serve in an honorary capacity.

I joined our Bank in 1993. Transferring from the Regular Army in 2000, I became a successful Regional Manager of ADCU NQld, resigning in 2005 to prepare as a shooting competitor for the 2006 Commonwealth Games. From 2006 to 2016, I served as Defence Health's NQld Regional Representative.

I am a graduate of the Army Command & Staff College and a 2003 Graduate Member of the Australian Institute of Company Directors. I am an experienced company director in the Not-for-Profit and National sporting arenas. I was Chairman of the North Queensland Area Holiday Resorts, a company 'owned' by the soldiers of North Queensland, for eight years. I was Director of Shooting Australia from 2012 to 2019.

I am married with two adult children and reside in Townsville where I maintain considerable Defence and broader community involvement.

Each of these directors has nominated for reappointment and has passed the tests for fitness and propriety under the Board's (updated) Fit & Proper Policy.

Due to the number of nominations received being equal to the number of positions to be filled, the election process was discontinued and members will vote to appoint each Director by separate ordinary resolution at the AGM.

Agenda Item 5: Directors' Remuneration

Section 17.1(1) of the Bank's Constitution limits the maximum remuneration that can be paid to elected Directors' (that is, directors elected by members or appointed by the board to fill a casual vacancy) in any financial year to such amount as has been approved by members in general meeting. Agenda item 5 of this meeting is to approve the amount of \$448,235 as total Board remuneration, an increase of \$21,348 on the amount approved at the 2018 Annual General Meeting. The recommended amount is in line with the 5% mutual banking industry increase for FY2019, following no increase in Board remuneration in FY2018. This maximum amount of remuneration will apply per financial year commencing with the current financial year ending 30 June 2020, until such time as a different amount is approved by members.

The Board will allocate the aggregate remuneration among the elected directors as it sees fit.

The Board recommends unanimously that the members vote in favour of the resolution at the AGM.