



# Annual Financial Report

2020

For the year ended 30 June 2020

## 2019/20 Financial Year Snapshot

### Maintaining strong financial results

Remaining true to our 'customer first' approach, our financial results were accomplished while meeting the needs of both depositors and borrowers.

COVID-19 and bushfires in the 2020 financial year caused significant social and economic impacts resulting in record low interest rates and increased costs.

This economic uncertainty entailed keeping a close eye on the external environment and our pricing strategy to ensure we maintained competitive interest rates and products for all customers. An ongoing focus helped both borrowers and savers achieve their financial goals and was reflected by growth in both loans and deposits.

Growth has been steady over the past financial year, with total assets increasing by 6.26% and total equity by 5.26%. Bank First is well positioned for continued growth with a capital adequacy ratio of 15.62%. A net profit of \$9.4m was delivered, based on sound management of the balance sheet, interest margin and expenditure.

These strong financial results ensure we are able to continue to invest in technologies to enhance customer experience and continue to provide financial benefit to our customers through competitive pricing, products and services to meet their needs.

## 2019-20 Financial Results



**Loans**  
**\$2.23b**  
(+1.94%)



**Deposits**  
**\$2.60b**  
(+6.37%)



**Profit after  
income tax**  
**\$9.4m**



**Assets**  
**\$2.86b**  
(+6.26%)



**Return on  
Average Assets**  
**0.34%**



**Funds Under  
Advice**  
**\$344m**



**Customers**  
**107,970**

## Chair's Report

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### Bernie Lloyd

Your Board of Directors is pleased to present to you our Annual Review 2020. This column is being written in the full shadow of COVID-19 but there is actually good news for our customers in terms of ahead of system loan book funding and increased business flows over the past two years.

Similarly, a recent Roy Morgan report on customer satisfaction levels posted Bank First as the second highest performer in Australian banking. It's important in this challenging period that we find the positive and remind ourselves of our capacity to not only sustain, but to be a beacon of hope to the people who matter the most i.e. the people who build community, our staff, our present, and our future members/customers.

Financial year 2020 revealed an ebb and flow as you can imagine. Despite the historically low interest levels, fierce competition from bigger banks, and the impact of the devastating summer fires we were tracking well against our budgets until the COVID-19 outbreak in March. I encourage you to read the data and commentary presented in our Annual Review and our Annual Report to gain a full picture.

What I would like to highlight for you is the exemplary manner in which Bank First staff responded to the sudden pandemic outbreak and its accompanying lockdown. Banking is an essential service as you know so it was critical that our business continuity plans held up - we had to keep operating. More importantly than this, as well as ensuring staff health and wellbeing, we had to advise and reassure our customers as anxiety levels elevated. We heard stories of hardship, we responded promptly and assuaged uncertainty and, sometimes, panic. We drew on our values as is our norm. We were a source of calm and care when it was most needed.

The Board of Directors is very grateful to our leaders and their teams who responded to the new order with such professionalism and compassion. We knew the Bank was well led and managed and here again was the proof.

One other significant note this year was advice from our CEO, William Wolke, that he was retiring after eighteen years of remarkable service. The history of our bank has been recorded in two books: Apples for Teachers, Damien Cash 1994 and A Bank for Teachers, Lesley Alves, 2012. These are actually fascinating social history and the more recent one describes the arrival of William as CEO and the continuing success story that ensues.

Aided by his team of Executive Managers William achieved growth that propelled us into the top echelon of credit unions and mutual banks where it now sits. In many ways it was a perfect match of values, behaviours and desired culture. A talented visionary, a man of conviction and empathy, William steered us to our future. When the pandemic struck he exemplified the iconic safe pair of hands.

There is no more important decision for a Board than the appointment of a new CEO. It was a twelve month process and we are very happy to welcome Michelle Bagnall to Bank First. She will commence in early 2021. We also welcomed Mark Devadason to our Board this year and he has already demonstrated his alignment with our values and culture as well as valuable insight due to his expertise.

So thank you. To you, our customers, who share our belief in Bank First and those who serve us from education, nursing, allied health and similar sectors where community is built and strengthened. To our people, our committed and dedicated staff and to my fellow Directors. Now, more than ever, we are invested in each other.

## CEO's Report



### William Wolke

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I have mixed feelings as I write my last Annual Review after eighteen years as CEO of Bank First. Concern as our society is working through the COVID-19 pandemic with all its impacts – particularly at a personal level as economic and other stresses are felt at individual, family and other relationship levels.

I also have a sense of pride as I leave a strong purpose driven Bank with an authentic set of values and culture. A Bank that can choose to remain true to its purpose and understands what it stands for. A Customer Owned Bank that is well placed for the future.

The essence of the culture and values embodied in the founding members forty-eight years ago endures today and continues to be relevant for the future. The purpose, culture and values are embraced by the Board, Management and staff each and every day with the primary aim of looking after our customers.

'Financially empowering people who build community realise their dreams'

Our Purpose Statement resounds even more strongly now as we look at the roles essential vocations such as education, nursing and allied health play throughout the current pandemic. We are proud that we are actively supporting these essential workers who are supporting our community right now.

Our society will change as a result of COVID-19. Expectations of corporates will alter, the concept of corporate social license will gain more ground to which a mutual customer focused organisation can more readily respond. Then there is still the resulting regulation and legislation from the Banking Royal Commission which has been deferred due to the pandemic.

The financial year has been challenging and staff and customers have responded magnificently. Our digital revolution has been profound with ninety-five percent of staff now being able to work from home. It appears that our high standard of meeting customers' needs has been maintained and our customers have been very understanding and supportive of Bank First staff some of whom have had to change roles.

We continue to support our people to underpin the resilience and adaptability they have exhibited. Morale, mental wellbeing and staying connected in a digital world are some of the challenges. There will also be positives we can take out of this experience as we have had to change our operating routines to cater for the environment in which we find ourselves.

Customers facing hardships are being assisted through this uncertain period and we expect this to continue into the new calendar year.

Our financial performance for the year ended 30 June 2020 has been good and Bank First faces the future in a confident frame of mind.

I acknowledge the support of our customers as well as the dedication and support of staff, past and present Directors and Management who have worked with me over the last eighteen years – it has been a rewarding personal experience.

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## 2020 ANNUAL REPORT

### Corporate Information

Victoria Teachers Limited trading as Bank First, is an Australian for profit company limited by shares and registered under the Corporations Act 2001. It is a mutual entity with a core objective of benefitting its Members.

Members have two relationships with Bank First, as a customer and as an owner/shareholder. As customers, Members exercise choice through their selection of the products and services they believe best suit their individual needs. As owners and holders of a Member share, Members have the right, and are encouraged, to participate as appropriate in determining the activities of Bank First.

A Member Share in Bank First is non-transferable and has no “traded value” (as in share price) but each Member has an equal and important vote in the governance of Bank First, no matter the extent of their customer relationship. Members and their communities share the benefits of ownership through competitive interest rates, fairer fees and premium service.

Bank First is an Authorised Deposit-taking Institution (ADI) supervised by the Australian Prudential Regulation Authority (APRA) under the Banking Act 1959. Bank First is also supervised by the Australian Securities & Investments Commission (ASIC) under the Corporations Act 2001, and holds an Australian Financial Services Licence and an Australian Credit Licence.

#### Corporate Governance

The Board of Directors (the Board), the CEO and senior executives are committed to managing Bank First's business ethically and maintaining high standards of corporate governance.

The Corporate Governance information outlined below generally describes the practices and processes adopted to ensure sound management of Bank First within the legal and regulatory framework it operates under.

Bank First is protected by the same safeguards that apply to all ADIs (which includes listed banks, credit unions, and building societies), and is regulated by the same authorities. Bank First and its related bodies corporate (the ‘Consolidated Entity’) acts in accordance with the laws, regulations, standards and codes applicable to it; seeks to adopt proper standards of business practice; and act ethically and with integrity.

#### Role of the Board

The Board maintains a formal Board Charter setting out its role and responsibilities. The interests of Members are paramount to Bank First's operations and the Board sees their primary role is to protect and enhance long-term Member value.

In fulfilling this role, the Board is responsible for setting the overall governance framework of Bank First. This includes providing strategic guidance; establishing and monitoring the performance of Bank First against its objectives; ensuring the integrity of internal controls and information systems; ensuring regulatory compliance; setting Bank First's appetite and tolerance for risk; and maintaining sound financial and risk management systems oversight.

To assist in the execution of its responsibilities the Board has established a number of key committees, each with its own charter. Details of the various Board committees are outlined further in this report.

The Board has delegated responsibility for day to day operations and management of Bank First to the CEO and the executive management team.

#### Board Composition

Board composition is determined in accordance with Bank First's Constitution, regulatory requirements and the Board's policy on Composition and Renewal.









The Constitution provides that the number of Directors is a minimum of five; that the Board may be comprised of both Member elected and Board appointed Directors; and that a majority of the Directors are Member elected Directors.

Directors must satisfy the requirements of the Board's ‘Responsible Persons - Fit and Proper Policy’ in compliance with APRA's Prudential Standard CPS 520 Fit and Proper.



## Corporate Governance

The names and details of Directors and the Company Secretary of Bank First in office at any time during or since the end of the financial year are:

	<b>Names</b>	<b>Qualifications</b>	<b>Position</b>
	<b>Bernadette Lloyd</b>	BA, DipEd, MEd, Dip Financial Services (AMI), FAICD - Director since 2011	Chair, Non-Executive Director
	<b>Graeme Willis</b>	FAICD, FCIBS, SF Fin - Director since 2013	Deputy Chair, Non-Executive Director
	<b>Judith Crowe</b>	BA, Dip Ed, Dip SS, Dip Admin, Dip Psych, FACEL, GAICD Director since 2018	Non-Executive Director
	<b>Joanne Dawson</b>	B.Comm, MBA, Dip FP, CA, FAICD Director since 2014	Non-Executive Director
	<b>Mark Devadason</b>	B.SSc, MAICD Director since February 2020	Non-Executive Director
	<b>Michael Monester</b>	LLB, B. Juris., FAICD - Director since 2010	Non-Executive Director
	<b>Simon Terry</b>	B. Comm, LLB, GAICD Director since 2018	Non-Executive Director
	<b>Company Secretary</b> <b>Emily McGrath</b>	B.Hons Law, AGIA, AGRCI Company Secretary since 2018	Head of Compliance

## Corporate Governance

### Director Independence

It is the policy of Bank First that the Chair of the Board and a majority of the Directors are independent Non-Executive Directors. In assessing independence, the Board considers whether any Director has relationships that would materially affect their ability to exercise unfettered and independent judgment in looking after the interests of Bank First and its Members. In this regard, and more broadly, Bank First complies with APRA's Prudential Standard CPS 510 Governance.

The Board's renewal and succession processes support the maintenance of a majority of independent Non-Executive directors.

There are procedures in place to enable the Board collectively, and each Director individually, to seek independent professional advice at Bank First's expense to assist them carry out their responsibilities.

### Conflicts of Interest

In accordance with the Corporations Act 2001, Directors must keep the Board advised of any interest that could potentially conflict with the interests of Bank First. The Board has developed guidelines to assist Directors in disclosing actual or potential conflicts of interest.

Transactions between Directors and Bank First are subject to the same terms and conditions that apply to Members.

Executive Management, the Company Secretary and other key employees are also required to declare any interests that could potentially conflict with the interests of Bank First.

### Diversity and Non-discrimination

The Board recognises that diversity of perspectives promotes understanding, and supports business success. Managing and respecting diversity makes Bank First responsive, productive, and competitive, which creates value for its Members.

It is the policy of Bank First to treat all Members, employees, prospective employees, agents, contractors, and suppliers fairly, equally and in a non-discriminatory or non-harassing manner, and to value diversity.

Bank First recognises and embraces the diverse skills, experience, backgrounds and perspectives that people bring to the organisation irrespective of their gender or marital status, origin, ethnicity, culture, disability, age, sexual orientation, industrial activities, political and/or religious beliefs.

During the year in accordance with the requirements of the Workplace Gender Equality Act 2012 (Act), Bank First lodged its annual compliance report with the Workplace Gender Equality Agency (Agency).

Provided in the report was information such as the gender composition of the workforce and the Board, and the formal policies and strategies in place that specifically support equality in Bank First.

Bank First has been assessed as compliant with the requirements under the Act.

### Ethical Standards

The Board has adopted a Code of Conduct to guide the Directors in ethical and responsible decision making, and in recognising their legal and other obligations to stakeholders. All Directors, management and staff are expected to act with the utmost honesty and integrity at all times, in accordance with the values of Bank First.

The Board has also agreed that Bank First be bound by the Customer Owned Banking Code of Practice which sets down principles by which Bank First deals with its Members and keeps them informed of the services available, fees, and other relevant information. As part of this Code, Bank First has procedures for resolving complaints from Members, and where necessary, refer disputes to an independent arbiter, the Australian Financial Complaints Authority.

### Qualifications & Training

The policy of the Board requires Director's to attain the Australian Institute of Company Directors (AICD), Company Directors Diploma Course qualification; and depending on the assessment by the Board of their collective skill requirements, individual directors will be required to have qualifications and experience in specific skills.

Details of Directors qualifications are reported in the table above on page 2.

In addition, the Board has a strong commitment to continuous improvement through:

- New Directors, managers and staff undertaking an induction program; and
- Directors, managers and staff undertaking relevant and appropriate training and professional development programs on an ongoing basis.

### Board Composition and Renewal

A Board Composition and Renewal Policy is maintained to ensure that the composition of the Board is appropriate to the circumstances of Bank First; and that Bank First has in place appropriate Board renewal arrangements.

### Board and Director Performance Evaluations

The Board is committed to continuous improvement and undertakes performance evaluations of the Board, key Board committees and of individual Directors.

Bank First complies with APRA Prudential Standards CPS 510 Governance and CPS 520 Fit and Proper which requires those responsible for the management and oversight of an Authorised Deposit-taking Institution (Responsible Persons) to have appropriate skills, experience and knowledge, and that they act with honesty and integrity. The eligibility of Responsible Persons, which largely represents the Directors and Senior Executives of Bank First, must generally be assessed prior to their initial appointment and then re-assessed annually.



## Corporate Governance

### Director Remuneration

Remuneration for Directors is determined by the Board as approved by Members at a General Meeting. The pool of approved remuneration funds is allocated to each Director in accordance with their specific role and responsibilities.

The Board has approved a Remuneration Policy and the remuneration of the Directors, the CEO and Executive Managers is overseen by the Governance, Culture, Remuneration and Accountability Committee.

Further information in relation to the remuneration of Directors, the CEO and Executive Managers (those persons determined to be Key Management Personnel) is contained in the notes to the financial statements.

### Controlled entities

The activities of controlled entities in the Bank First group are overseen by Bank First's Board. They have their own Board of Directors that are drawn from Bank First's Board and Executive Management. The entities are required to operate within Bank First's governance framework.

### Constitution, Board and Committee Charters, and Policies

The Board operates in accordance with Bank First's Constitution, a comprehensive policy framework, the Board Charter, and the Charters of Board Committees.

Copies of the following are available on Bank First's website at [bankfirst.com.au](http://bankfirst.com.au):

- Constitution;
- Board Charter;
- Governance, Culture, Remuneration and Accountability Committee Charter;
- Risk Committee Charter;
- Audit Committee Charter; and
- Responsible Officers - Fit and Proper Policy.

### Board Committees

At all times the Board retains full responsibility for oversight of Bank First's operations. In order to more effectively discharge its governance and oversight responsibilities the Board makes use of Committees.

Specialist Committees are able to focus on particular responsibilities and provide informed feedback to the Board.

In brief, the composition and role of the established Board Committees as at the end of the financial year were:

### Audit Committee

Consists of Directors: Joanne Dawson (Chairperson), Graeme Willis, Simon Terry and Bernadette Lloyd.

The role of the Audit Committee is to provide the Board with an objective view of the effectiveness and integrity of the financial reporting and prudential reporting framework, internal and external audit assurance processes and performance, and the overall internal control framework.

### Risk Committee

Consists of Directors: Graeme Willis (Chairperson), Joanne Dawson, Mark Devadason and Michael Monester.

The purpose of the Risk Committee is to assist the Board of Directors (Board) in fulfilling its responsibilities to oversee Bank First's risk management framework.

The framework includes the strategies, policies, processes, and systems established by management to identify, assess, measure, monitor, and manage the material risks facing Bank First. The material risks are categorised as: credit risk; capital risk; liquidity risk; market risk; operational risk (such as information security/cyber-security risk, technology risk, people risk and compliance risk), governance risk (includes conduct risk), and strategic risk.

The Committee also assists the Board by enhancing the Board's understanding of Bank First's overall risk appetite and enterprise-wide risk management activities and their effectiveness; and assists the Board and other Board committees that undertake governance related activities by maintaining risk oversight across these activities.

### Governance, Culture, Remuneration and Accountability Committee

Consists of Directors: Simon Terry (Chairperson), Bernadette Lloyd, Graeme Willis and Judith Crowe.

The Governance, Culture, Remuneration and Accountability Committee assists the Board in the discharge of its responsibilities by developing, reviewing and making recommendations on governance policies, practices and processes; and Board engagement, representation and interaction with Members and stakeholders. This Committee also assists the Board in fulfilling its obligations and responsibilities with respect to the effective management of and adherence to APRA's remuneration standards including those set out under the Banking Executive Accountability Regime. The Committee is also responsible for ensuring that candidates standing for election or appointment to the Board meet the requirements of the Constitution, APRA prudential requirements and Bank First's Responsible Officers – Fit & Proper Policy.

## Corporate Governance

### Corporate Citizenship

Bank First seeks to be a trusted and responsible corporate citizen, through initiatives to reduce its impact on the environment, initiatives that give back to the education community, and by being a responsible lender and basing pricing on a fair exchange between Bank First and Members.

### Customer Communication

Part of Bank First carrying out its responsibility to act in the best interests of its Members is the need to provide relevant and timely information.

Members have access to information in relation to Bank First through the Slate and eSlate newsletters, the Annual Review and Annual Financial Report, the Chair's and CEO's addresses to the Annual General Meeting, Bank First's website, and by providing other contact points for Members to make enquiries with Bank First.

The Board receives regular reports detailing information on both customer satisfaction and customer complaints. The Board also receives reports on the results of Customer Insight Surveys.

### Whistleblower Protection

Bank First has established a Whistleblowing Policy aimed at providing a safe environment for employees and Directors to voice genuine concerns in relation to legislative, regulatory and code breaches, financial misconduct, impropriety, fraud and criminal activity.

### Modern Slavery

Bank First is committed to complying with the Modern Slavery Act 2018. It has policies and processes in place in relation to workplace rights and to help prevent, identify and remediate modern slavery in its supply chain. Further information can be found in the inaugural Modern Slavery Statement, which will detail the actions Bank First has taken to assess and address modern slavery risks. Our Modern Slavery Statement will be submitted to the Department of Home Affairs and published on our website by 31 December 2020.

### Privacy

Bank First places great importance on the confidentiality of our Members' personal information. We take steps to ensure that Member information is not disclosed to, or accessed by, unauthorised persons, and that we comply with the Australian Privacy Principles, the Mandatory Data Breach notification requirements, and the Credit reporting Code of Conduct.

Bank First's Privacy Policy is available on its website.

### Compliance Program

Bank First has comprehensive Compliance Management Programs in support of:

- Bank First's Australian Financial Services Licence and Australian Credit Licence obligations;
- The Customer Owned Banking Code of Practice and other relevant industry codes;
- The Anti-Money Laundering Counter-Terrorist Financing (AML/CTF) legislation;
- The ePayments Code;
- Corporate compliance policies and procedures; and
- Statutory and regulatory requirements.

### Risk Management

The Board has determined Bank First's appetite and tolerance for risk after taking into account its strategic objectives and other factors including Member expectations, financial and capital requirements, external conditions, organisational culture and Bank First's experience or demonstrated capacity in managing risks.

The Board has adopted a Risk Management Strategy and ensures material risks facing Bank First have been identified and that appropriate and adequate mitigation actions, policies, controls, monitoring and reporting mechanisms are in place. Each operational area within Bank First manages its own risks. This approach creates a first line of defence and encourages a risk culture that involves all staff. A central risk and compliance team, led by the Chief Risk Officer, creates a second line of defence. The Board accepts its responsibilities to ensure that the Directors collectively have the necessary skills, knowledge and experience to understand the risks of Bank First, including its legal and prudential obligations; and to ensure that Bank First is managed in an appropriate way taking into account these risks.

### Internal and External Audit

The Internal Audit function provides an independent third line of defence assurance function. The internal audit plan is approved by the Audit Committee. The Head of Internal Audit reports to the Audit Committee; and to the CEO for day-to-day operational issues as appropriate.

The external audit firm is Deloitte. The appointed external audit partner is required to be independent and meet APRA's Fit & Proper prudential standard. The external auditor has access to the Audit Committee and the Risk Committee. The external audit engagement contributes to the integrity of the financial reporting, fulfills the role and responsibilities of the auditor appointed under APRA Prudential Standard APS 310 Audit & Related Matters, and undertakes the Australian Financial Services Licence (AFSL) audit and the statutory audit for the purposes of the Corporations Act.

## Corporate Governance

### DIRECTORS MEETING ATTENDANCE 2019/20

The number of Board meetings (including meetings of Committees of the Board) and number of meetings attended by each Director during the financial year were:

	Board meetings		Strategic Interface Sessions		Governance Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Bernadette Lloyd	11	11	2	2	2	2
Graeme Willis	11	9	2	2	2	2
Judith Crowe	11	11	2	2	-	-
Joanne Dawson	11	11	2	2	-	-
Mark Devadason*	5	5	1	1	-	-
Michael Monester	11	11	2	2	2	2
Simon Terry	11	11	2	2	-	-

	Risk Committee		Audit Committee		Remuneration Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Bernadette Lloyd	5	5	4	4	2	2
Graeme Willis	5	5	4	4	2	2
Judith Crowe	-	-	2	2	-	-
Joanne Dawson	5	5	4	4	-	-
Mark Devadason*	-	-	-	-	-	-
Michael Monester	2	2	-	-	2	2
Simon Terry	3	3	2	2	-	-

	Strategic Planning Session		GCRA**	
	Eligible	Attended	Eligible	Attended
Bernadette Lloyd	1	1	2	2
Graeme Willis	1	1	2	2
Judith Crowe	1	1	2	2
Joanne Dawson	1	1	-	-
Mark Devadason*	1	1	-	-
Michael Monester	1	1	-	-
Simon Terry	1	1	2	2

The Governance and Remuneration Committees were combined into the Governance, Culture, Remuneration and Accountability Committee during the period.

Eligible - Number of meetings directors are eligible to attend in their capacity as a member of the Board or respective Board Committee.

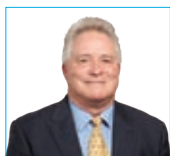
Attended - Number of Board and Board Committee meetings attended by directors in their capacity as a member.

\* Mark Devadason commenced as Bank First Director 10 February 2020

\*\* Governance, Culture, Remuneration and Accountability Committee

## Executive Management

The Executive Managers of Bank First at the date of this report are as follows:



**William Wolke** B.Acc., CA (SA), MBA, FAMI, MAICD  
**Chief Executive Officer**

William Wolke has been the Chief Executive Officer of Bank First since 2002 and has more than thirty years experience in financial services, both in Australia and South Africa. Bank First has become a progressive and multiple award winning modern organisation in its chosen market under his leadership. His career has included general management and director appointments in a mutual building society, retail and commercial banking, financial planning, as well as leadership roles in management consulting and the accounting professions. William served on the Board of the Customer Owned Banking Association the industry body representing the Australian mutual banking sector, from 2000 to 2009.

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**Adam Alsbury** B.Bus (Mkt), MBA, FAMI (CPM), FAICD  
**Chief Strategy & Marketing Officer**

Adam Alsbury joined Bank First in 2000 and has experience in marketing, business development, digital and business strategy in the software and financial services industries. He has over 20 years of service in emergency and community services in both a volunteer and professional capacity and is currently a Non-executive Director of Life Saving Victoria. Adam completed his Masters of Business Administration at Melbourne Business School and is a Fellow of the Australian Marketing Institute and the Australian Institute of Company Directors.

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**Glenn Borg** B.Bus, CAHRI, GAICD  
**Chief People & Culture Officer**

Glenn Borg joined Bank First in 2007. He leads the People & Culture function and has experience in culture, human resources and people management, with particular strengths and expertise in employee and industrial relations, workforce planning, occupational health and safety and organisation development. His formal qualifications are supported by his membership of the Australian Human Resources Institute and Australian Institute of Company Directors.

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**David Percival** B. Bus (Accounting), CPA, MBA, GAICD  
**Chief Financial Officer**

David Percival joined Bank First in 2002 and has over 30 years experience within the financial services industry. He is responsible for leading the finance function which includes accounting, treasury, customer care and banking operations. David has been a CPA for over 20 years and completed an MBA at Deakin University in 2005.

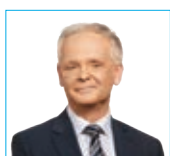
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**Matthew Ricker** B. Ec (Economics), MBA  
**Chief Customer Officer**

Matthew Ricker joined Bank First in 2018 and leads the Lending, Insurance, Financial Planning, Member Service Centre and the Member Contact Centre teams. With over 30 years' experience within the Banking industry, Matthew has held senior executive roles in consumer banking across large scale operations, finance, customer service and sales/distribution. A customer-focused strategic thinker, Matthew focuses on developing a coaching and learning culture to enhance the customer experience, while driving business results. Since 2013, Matthew has been a board member, including time as Chair, of not-for-profit KIDS Foundation.

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**Mark Thomson** MIT., Grad Cert IS, MAICD  
**Chief Technology Officer**

Mark Thomson has managed the Information Technology function at Bank First since 2004. He has more than 30 years experience in the financial services sector in areas of Information Technology operations, digital technologies, business continuity, cyber security project management, risk management and strategic planning.

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**Elsbeth Torelli** FIPA, SA Fin, FGIA, MAICD  
**Chief Risk Officer**

Elsbeth Torelli has over 30 years of experience in the customer owned banking sector and has been leading the risk and compliance function at Bank First since 2011. She is responsible for overseeing the development and implementation of risk, compliance and governance strategies, and their supporting frameworks, within Bank First. She has previously held other executive management and management positions within Bank First. Elsbeth is on the Board of the Customer Owned Banking Association (COBA) the industry body representing the Australian mutual banking sector, and is on the Board of Traditional Credit Union Ltd.

## Directors' report

Your Directors submit their report for the year ended 30 June 2020.

### Principal activities

During the financial year there were no significant changes to the principal activities of the Consolidated Entity, these being the provision of deposit taking facilities, credit facilities and related financial services to assist the economic and social wellbeing of Members.

### Review of Operations

The net profit after related income tax expense of Bank First was \$9.01m (2019: \$10.918m). The consolidated net profit after related income tax expense for the Consolidated Entity was \$9.364m (2019: \$11.004m).

A detailed review of operations of Bank First during the period is contained in the Chair's and Chief Executive Officer's Reports presented separately in the Annual Review.

### Dividends

No dividends have been paid or declared on Member shares by Bank First since the end of the previous financial year.

### Significant changes in the state of affairs

In the opinion of the Directors, there have been no significant changes in the state of affairs of the Consolidated Entity that occurred during the financial year under review.

### Employees

The Consolidated Entity at reporting date employed 225 employees as at 30 June 2020 (2019: 246).

### Auditor independence and Audit Services

The Directors received the declaration from the Auditors of Bank First and this is presented on page 9 of the Annual Report and forms part of this Directors' Report.

### Indemnification and Insurance of Directors and Officers

Bank First has paid premiums in respect of Directors and Officers Liability insurance and associated legal expenses insurance. Disclosure of the nature of the liabilities or the amount of the premium paid in respect of the Directors and Officers liability and legal expenses insurance contracts is prohibited under the terms of the contract.

### Indemnification of auditors

To the extent permitted by law, Bank First has agreed to indemnify its auditors, Deloitte, as part of the terms of its audit engagement agreement, against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Deloitte during or since the financial year.

### Events Subsequent to Balance Date

There are no transactions or events of a material nature likely, in the opinion of the Directors, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity, in subsequent financial years.

### Likely developments

Bank First will continue to pursue its mission to benefit Members through advice, relationships and services, and will strive to achieve sustainable growth in its operations.

Disclosure of information relating to future developments in the operations of Bank First, which is not prejudicial to the economic interests of Bank First is contained in the Chair's and Chief Executive Officer's Reports presented separately in the Annual Review.

### Directors' Interests and Benefits

During or since the end of the financial year no Directors have received or become entitled to any benefits (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors shown in the accounts) from a contract between Bank First and themselves, their firm or a company in which they have a substantial interest.

Directors' benefits are included in Note 21.

### Rounding

The amounts contained in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) where noted (\$000) under the option available to Bank First under ASIC Corporations Instrument 2016/191. Bank First is an entity to which the class order applies.



**Bernadette Lloyd**

Chair  
Melbourne  
22 September 2020



Deloitte Touche Tohmatsu  
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The Board of Directors  
Victoria Teachers Limited, trading as Bank First  
(Bank First)  
117 Camberwell Road  
HAWTHORN EAST VIC 3123

22 September 2020

Dear Board Members

Auditor's Independence Declaration to Victoria Teachers Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Victoria Teachers Limited.

As lead audit partner for the audit of the financial statements of Victoria Teachers Limited for the financial year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

A handwritten signature in blue ink that reads "Deloitte Touche Tohmatsu".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in blue ink that reads "Lani Cockrem".

Lani Cockrem  
Partner  
Chartered Accountants



## Directors' declaration

In accordance with a resolution of the Directors of Victoria Teachers Limited trading as Bank First, I state that:

In the opinion of the Directors of Bank First:

- a. The financial statements and notes of Bank First and of the Consolidated Entity are in accordance with the *Corporations Act 2001*, including:
  - i. Giving a true and fair view of Bank First's and the Consolidated Entity's financial position as at 30 June 2020 and of its performance for the year ended on that date; and
  - ii. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- b. The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1; and
- c. There are reasonable grounds to believe that Bank First will be able to pay its debts as and when they become due and payable.

On behalf of the Board



**Bernadette Lloyd**

Chair

Melbourne

22 September 2020

## Statement of comprehensive income

For the year ended 30 June 2020

	Notes	Bank First		Consolidated Entity	
		30 June 2020 \$000's	30 June 2019 \$000's	30 June 2020 \$000's	30 June 2019 \$000's
Interest income	3(a)	88,496	97,792	87,243	96,441
Interest expense	3(b)	33,732	42,440	33,723	42,412
<b>Net interest income</b>		<b>54,764</b>	<b>55,352</b>	<b>53,520</b>	<b>54,029</b>
Other operating income	3(c)	10,128	10,526	11,039	11,372
<b>Net operating income before expenses</b>		<b>64,892</b>	<b>65,878</b>	<b>64,559</b>	<b>65,401</b>
Less					
Salaries and related expenses		25,943	25,878	25,943	25,878
Member access and statement expenses		6,347	6,494	6,347	6,494
Administration expenses		3,641	3,643	3,643	3,645
Depreciation and amortisation		2,283	2,180	3,296	3,177
Information technology costs		4,861	5,224	4,861	5,224
Occupancy expenses		3,346	3,168	1,493	1,570
Marketing expenses		2,699	3,050	2,699	3,050
Charge for loan impairment	8(e)	2,936	841	2,936	841
<b>Total operating expenses</b>		<b>52,056</b>	<b>50,478</b>	<b>51,218</b>	<b>49,879</b>
<b>Profit for the year before income tax</b>		<b>12,836</b>	<b>15,400</b>	<b>13,341</b>	<b>15,522</b>
Income tax expense	4	3,826	4,482	3,977	4,518
<b>Net profit for the year</b>		<b>9,010</b>	<b>10,918</b>	<b>9,364</b>	<b>11,004</b>
<b>Other comprehensive income</b>					
<b>Items that will not be reclassified to profit or loss</b>					
Net gain/(loss) on equity instruments designated at fair value through other comprehensive income		(66)	-	(66)	-
Net gains/(losses) on cash flow hedges taken to equity	15	48	55	48	55
<b>Total other comprehensive income</b>		<b>(18)</b>	<b>55</b>	<b>(18)</b>	<b>55</b>
<b>Total comprehensive income for the year</b>		<b>8,992</b>	<b>10,973</b>	<b>9,346</b>	<b>11,059</b>

## Statement of financial position

As at 30 June 2020

	Notes	Bank First		Consolidated Entity	
		30 June 2020 \$000's	30 June 2019 \$000's	30 June 2020 \$000's	30 June 2019 \$000's
<b>Assets</b>					
Financial assets:					
Cash and cash equivalents	5	108,541	113,051	108,541	113,051
Trade receivables	6	1,021	1,925	1,103	2,084
Investments	7	463,197	333,949	463,197	333,949
Loans and advances	8	2,232,311	2,191,636	2,232,311	2,191,636
Due from controlled entities	9	24,437	25,637	-	-
Property, plant and equipment	11	26,490	4,561	46,189	42,586
Deferred tax assets	12	3,482	2,917	3,569	2,961
Other assets	10	7,324	7,356	3,817	3,928
<b>Total Assets</b>		<b>2,866,803</b>	<b>2,681,032</b>	<b>2,858,727</b>	<b>2,690,195</b>
<b>Liabilities</b>					
Financial liabilities:					
Deposits	13	2,605,432	2,449,329	2,604,343	2,448,483
Trade and other payables	14	31,925	10,990	11,395	11,218
Derivative financial instruments	15	-	76	-	76
Income tax payable		24	608	208	669
Provisions	16	5,782	5,355	5,782	5,355
Deferred tax liabilities	12	264	290	3,929	2,962
<b>Total Liabilities</b>		<b>2,643,427</b>	<b>2,466,648</b>	<b>2,625,657</b>	<b>2,468,763</b>
<b>Net Assets</b>		<b>223,376</b>	<b>214,384</b>	<b>233,070</b>	<b>221,432</b>
<b>Equity</b>					
Reserves		223,376	214,384	233,070	221,432
<b>Total Equity</b>		<b>223,376</b>	<b>214,384</b>	<b>233,070</b>	<b>221,432</b>

## Statement of cash flows

For the year ended 30 June 2020

	Bank First		Consolidated Entity	
	30 June	30 June	30 June	30 June
	2020	2019	2020	2019
	\$000's	\$000's	\$000's	\$000's
<b>Cash flows from operating activities</b>				
<b>Inflows</b>				
Interest received	89,360	98,848	88,107	97,509
Dividends received	35	35	35	35
Bad debts recovered	127	32	127	32
Other operating income	10,832	11,638	12,150	12,713
<b>Total inflows</b>	<b>100,354</b>	<b>110,553</b>	<b>100,419</b>	<b>110,289</b>
<b>Outflows</b>				
Interest paid	(35,392)	(42,228)	(35,383)	(42,200)
Salaries and related expenses	(25,486)	(25,308)	(25,486)	(25,385)
Other payments in the course of operations	(20,040)	(23,741)	(20,353)	(22,310)
Income tax paid	(4,973)	(5,854)	(5,033)	(5,684)
<b>Total outflows</b>	<b>(85,891)</b>	<b>(97,131)</b>	<b>(86,255)</b>	<b>(95,579)</b>
<b>Net cash flows provided by operating activities</b>	<b>18</b>	<b>14,463</b>	<b>14,164</b>	<b>14,710</b>
<b>Cash flows from investing activities</b>				
Net increase in loans	(43,738)	(243,066)	(43,738)	(243,065)
Net movement in investments	(129,247)	133,558	(129,247)	133,558
Payments for property, plant and equipment	(778)	(3,304)	(814)	(3,657)
Proceeds from sale of property, plant and equipment	207	6,705	207	6,705
Net decrease/(increase) in loans due from controlled entities	1,200	2,603	-	-
Payments for intangible assets	(1,010)	(956)	(1,010)	(860)
<b>Net cash flows used in investing activities</b>	<b>(173,366)</b>	<b>(104,460)</b>	<b>(174,602)</b>	<b>(107,319)</b>
<b>Cash flows from financing activities</b>				
Net increase in deposits	156,220	163,099	155,977	164,670
Payment of principal portion of lease liabilities	(1,827)	-	(49)	-
<b>Net cash flows from financing activities</b>	<b>154,393</b>	<b>163,099</b>	<b>155,928</b>	<b>164,670</b>
Net increase/(decrease) in cash and cash equivalents	(4,510)	72,061	(4,510)	72,061
Cash and cash equivalents at the beginning of the period	113,051	40,990	113,051	40,990
<b>Cash and cash equivalents at the end of the period</b>	<b>5</b>	<b>108,541</b>	<b>108,541</b>	<b>113,051</b>

## Statement of changes in equity

For the year ended 30 June 2020

<b>Bank First</b>	<b>General reserve</b>	<b>Asset revaluation reserve</b>	<b>Reserve for credit losses</b>	<b>Cash flow hedge reserve</b>	<b>Fair value reserve</b>	<b>Total</b>
	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>
<b>As at 1 July 2018</b>	<b>190,998</b>	<b>5,352</b>	<b>7,164</b>	<b>(103)</b>	<b>-</b>	<b>203,411</b>
Profit for the period	10,918	-	-	-	-	10,918
Other comprehensive income	-	-	-	55	-	55
<b>Total comprehensive income</b>	<b>10,918</b>	<b>-</b>	<b>-</b>	<b>55</b>	<b>-</b>	<b>10,973</b>
Transfer to reserve for credit losses	104	-	(104)	-	-	-
Asset Revaluation	5,265	(5,265)	-	-	-	-
<b>At 30 June 2019</b>	<b>207,285</b>	<b>87</b>	<b>7,060</b>	<b>(48)</b>	<b>-</b>	<b>214,384</b>
<b>As at 1 July 2019</b>	<b>207,285</b>	<b>87</b>	<b>7,060</b>	<b>(48)</b>	<b>-</b>	<b>214,384</b>
Profit for the period	9,010	-	-	-	-	9,010
Other comprehensive income	-	-	-	48	(66)	(18)
<b>Total comprehensive income</b>	<b>9,010</b>	<b>-</b>	<b>-</b>	<b>48</b>	<b>(66)</b>	<b>8,992</b>
Transfer to reserve for credit losses	1,173	-	(1,173)	-	-	-
<b>At 30 June 2020</b>	<b>217,468</b>	<b>87</b>	<b>5,887</b>	<b>-</b>	<b>(66)</b>	<b>223,376</b>
<b>Consolidated Entity</b>						
<b>As at 1 July 2018</b>	<b>193,671</b>	<b>5,352</b>	<b>7,164</b>	<b>(103)</b>	<b>-</b>	<b>206,084</b>
Profit for the period	11,004	-	-	-	-	11,004
Other comprehensive income	-	-	-	55	-	55
<b>Total comprehensive income</b>	<b>11,004</b>	<b>-</b>	<b>-</b>	<b>55</b>	<b>-</b>	<b>11,059</b>
Transfer to reserve for credit losses	104	-	(104)	-	-	-
Transfer to general reserve	5,265	(5,265)	-	-	-	-
Asset Revaluation	-	4,289	-	-	-	4,289
<b>At 30 June 2019</b>	<b>210,044</b>	<b>4,376</b>	<b>7,060</b>	<b>(48)</b>	<b>-</b>	<b>221,432</b>
<b>As at 1 July 2019</b>	<b>210,044</b>	<b>4,376</b>	<b>7,060</b>	<b>(48)</b>	<b>-</b>	<b>221,432</b>
Profit for the period	9,364	-	-	-	-	9,364
Other comprehensive income	-	-	-	48	(66)	(18)
<b>Total comprehensive income</b>	<b>9,364</b>	<b>-</b>	<b>-</b>	<b>48</b>	<b>(66)</b>	<b>9,346</b>
Transfer to reserve for credit losses	1,173	-	(1,173)	-	-	-
Asset Revaluation	-	2,292	-	-	-	2,292
<b>At 30 June 2020</b>	<b>220,581</b>	<b>6,668</b>	<b>5,887</b>	<b>-</b>	<b>(66)</b>	<b>233,070</b>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

The rounding adjustment is entered to eliminate the variance between prior year ending balance and current year opening balance which was caused by rounding to the nearest thousands.

## Notes to the financial statements

For the year ended 30 June 2020

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## Notes to the financial statements

For the year ended 30 June 2020

### 1. Summary of significant accounting policies

The significant accounting policies that have been adopted in the preparation of the financial statements have been applied consistently to all periods and have been applied consistently by the consolidated entity.

#### a. Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a going concern basis using a historical cost basis, except for land and buildings, derivatives and equity investments, which have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated.

#### b. Statement of compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

No new or amended standards or interpretations that apply to the current financial year have caused a need for significantly altering the accounting policies of the Consolidated Entity.

#### Future Accounting Developments:

Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Consolidated Entity for the annual reporting period ended 30 June 2020, are set out below together with an assessment of the impact of these new standards and interpretations (to the extent relevant to the Consolidated Entity):

IFRS 17 Insurance contract - No impact.

IFRS 10 Sale of contribution of assets between an investor and its associate or joint venture - No impact.

Amendments to IFRS 3 Definition of business - No impact.

Amendments to IAS 1 and IAS 8 Definition of material - No impact.

#### c. Basis of consolidation

The consolidated financial statements comprise the financial statements of Bank First, its subsidiary (Note 9) and special purpose entities as at 30 June each year (the Consolidated Entity). Bank First includes the consolidation of Victoria Teachers Trust Series 2012-1 (the "Series").

The financial statements of subsidiaries are prepared for the same reporting period as Bank First, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions and profits

and losses resulting from intra-group transactions have been eliminated in full.

Investments in subsidiaries held by Bank First are accounted for at cost in the separate financial statements of the parent entity less any impairment charges. Dividends, if applicable, received from subsidiaries are recorded as a component of other revenues in the separate income statement of the parent entity, and do not impact the recorded cost of the investment. Upon receipt of dividend payments from subsidiaries, the parent will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

Subsidiaries are fully consolidated from the date on which control is obtained by the Consolidated Entity and cease to be consolidated from the date on which control is transferred out of the Consolidated Entity.

**Residential Mortgage Securitisation Programs:**  
The Consolidated Entity engages in a securitisation program with the Victoria Teachers Trust Series 2012-1. The principal activity of the Victoria Teachers Trust Series 2012-1 is to act as a securitisation Special Purpose Entity for the purpose of liquidity contingency for Bank First.

Securitisation provides the Consolidated Entity the option to liquefy a pool of assets and increase its funding capacity. Where Bank First has continuing involvement with Victoria Teachers Trust Series 2012-1, through on-going exposure to the risks and rewards associated with the assets (e.g. due to subscription of issued notes), the originated assets remain recognised on the balance sheet of Bank First for accounting purposes.

#### d. Impact of coronavirus (COVID-19)

The COVID-19 pandemic and the measures taken to contain it have dramatically changed the global economic outlook, causing large scale economic disruption and volatility in financial markets. The disruption is expected to lead to rising levels of unemployment and higher credit defaults. In an attempt to mitigate the economic effects of the COVID-19 pandemic, governments, regulators and central banks have offered significant fiscal, regulatory and monetary support to business and consumers. The extent of those efforts to reduce the adverse effects of the pandemic remain uncertain.

Management have carefully considered the impact of COVID-19 in preparing the financial statements for the year end 30 June 2020. The key impact has been on the provision for impairment of loans and advances. In assessing forecast conditions, management have incorporated the effects of COVID-19 and government support measures on a reasonable and supportable basis. The AASB 9 impairment methodology, and the definition of default have remained consistent with prior periods.

## Notes to the financial statements

### For the year ended 30 June 2020

Forward looking adjustments have been determined on a range of plausible economic stress factors and taking into account mitigating impacts of government assistance and loan deferral packages. An economic overlay provision has been included to reflect the uncertainty of the current environment and likely impact of additional impairment of loans in addition to our normal impairment methodology.

#### e. Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires Management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses. The judgements and estimates are based on historical experience and other various factors believed to be reasonable under the circumstances, the results of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified critical accounting policies for which significant judgements, estimates and assumptions are made, information about which is included in the following notes:

- Note 1(k) - Provision for Impairment of loans and advances.

#### f. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Consolidated Entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

##### **Interest income:**

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Interest receivable is included in the amount of trade and other receivables in the statement of financial position.

Interest earned on loans is calculated and accrued on the daily outstanding balance and is charged to a Member's loan on the last day of each month.

Loan establishment fees (or fee discounts) are initially deferred as part of the loan balance, and are amortised as income (or expense) over the expected life of the loan. The amortised amounts are included as part of interest income.

##### **Other income:**

The Consolidated Entity recognises other income when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

#### g. Leases

In February 2016, the AASB issued AASB 16 Leases which replaces AASB 117 Leases and related interpretations and is effective for annual periods beginning on 1 January 2019. AASB16 removed the distinction between Operating and Finance Leases for lessees, and required recognition of right-of-use (ROU) asset and lease liability on the balance sheet for most leasing arrangements.

The Consolidated Entity assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

The Consolidated Entity has adopted the modified retrospective approach under AASB16 C5(b) to recognise a lease liability and a right-of-use asset at the date of initial application for leases previously classified as an operating lease applying AASB 117. The right-of-use asset is measured at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application (AASB16 C8(b(i))).

##### i) Right-of-use assets

The right-of-use asset is initially recognised at the commencement day and measured at cost, consisting of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. The provision for the make good costs is recognised as a separate liability.

Subsequent to initial measurement right-of-use assets are amortised on a straight-line basis over the remaining term of the lease.

##### ii) Lease liabilities

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the group if it is reasonable certain to assess that option;

## Notes to the financial statements

### For the year ended 30 June 2020

- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

The lease liability will subsequently be adjusted for lease payments, interest unwind and any lease modifications.

#### iii) Short-term leases and leases of low-value assets

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

As a lessor

The Consolidated Entity still has to classify leases as either finance or operating, depending on whether substantially all of the risk and rewards incidental to ownership of the underlying asset have been transferred. For a finance lease, the lessor recognises a receivable at an amount equal to the net investment in the lease which is the present value of the aggregate of lease payments receivable by the lessor and any unguaranteed residual value. If the contract is classified as an operating lease, the lessor continues to present the underlying assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

#### h. Income tax and other taxes

Income tax on the statement of comprehensive income for the year comprises current and deferred tax.

The income tax expense (Note 4) is based on the profit for the year adjusted for any non-assessable or non-deductible items. It is calculated using tax rates enacted or substantively enacted at the balance date.

Deferred tax (Note 12) is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the Statement of Comprehensive Income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### Tax consolidation:

Bank First and its subsidiaries participate in a tax consolidation group. Bank First is liable for any tax payable on behalf of its subsidiaries. However,

the subsidiaries are generally required under UIG Interpretation 1052 Tax Consolidation Accounting to recognise their income tax expense and deferred taxes in their annual report and to report the current tax liability to Bank First as a contribution of equity by Bank First. Bank First reports the income tax payable as additional contributions of equity and increases Bank First's investment in the subsidiaries - refer to Note 9.

#### Goods and services tax:

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST components of the cash flows arising from investing and financing activities that are recoverable from, or payable to, the ATO are classified as operating cash flows.

#### i. Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and deposits at call which are readily converted to cash and which are subject to an insignificant risk of change in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any outstanding bank overdrafts.

Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

#### j. Valuation of financial instruments

Financial instruments represent the majority of the Consolidated Entity's balance sheet, including loans and advances, deposits, securities and derivatives. The carrying amount presented on the balance sheet reflects the Group's business model for managing the asset. Where that model is to collect contractual cash flows (such as with loans and advances), the financial instrument is measured at amortised cost. Conversely, where the financial instrument is managed on a fair value basis, that instrument will be measured as such. This approach presents relevant information about the nature and risks associated with the Group's balance sheet.

The Group determines the business model at the level that reflects how groups of financial assets are managed. In determining the business model, all relevant evidence that is available at the date of assessment is used including:

- how the performance of the financial assets held within that business model are evaluated and reported to the Group's key management personnel;

## Notes to the financial statements

### For the year ended 30 June 2020

- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and

The Group exercises judgement to determine the appropriate level at which to assess its business models and its business objectives with respect to financial assets.

The Group's basis of classification and measurement is as follows:

- Loans are classified at amortised cost as disclosed in Note 8: these are held within a business model whose objective is to collect contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets are subsequently measured at amortised cost under the application of AASB 9.
- Equity Investments are measured at fair value through other comprehensive income (FVOCI) as disclosed under Note 10 Other assets.
- Derivative financial instruments are measured at fair value through other comprehensive income (FVOCI).
- All other financial assets and liabilities are measured at amortised cost.

A gain or loss for investments that is measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised, impaired or reclassified and through the amortisation process.

#### k. Loans

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and advances are initially recognised at fair value plus transaction costs directly attributable to the origination of the loan or advance, which are primarily brokerage and origination fees. These costs are amortised over the estimated life of the loan. Subsequently, loans and advances are measured at amortised cost using the effective interest rate method, net of any provision for credit impairment.

#### Impairment Assessment

AASB 9 introduced a forward-looking expected credit loss ("ECL") model to assess impairment for loans, which are measured at amortised cost.

The allowance for ECLs is based on an assessment of the probability of default, exposure at default and loss given default, discounted at the effective interest rate to give a net present value. The probability of default for loans is based on historical data for the Consolidated Entity and sector, taking into account all reasonable and supportable information, including forward looking economic assumptions. The loss given default reflects the Consolidated Entity's estimate of cash shortfalls in the event of default. The loss given default input, is estimated based on the historical loss experience of the Consolidated Entity

taking into account the loan product, the net amount written off and the gross exposure.

Loans are considered in default when there is evidence the borrower will not be able to meet contractual credit obligation in full, or the exposure is 90 days past due. Loans are considered impaired when there is doubt as to whether the full amounts due, including interest, will be received in a timely manner. Loans are written off when there is no reasonable expectation of recovery.

For the purpose of calculating ECLs, loans are categorised into three stages as follows:

Stage 1: no significant increase in credit risk since initial recognition

On initial recognition, and for loans where there has not been a significant increase in credit risk since the date of advance, provision is made for losses from credit default events expected to occur within the next 12 months.

Stage 2: significant increase in credit risk

Loans are categorised as being in stage 2 where the loan has experienced a significant increase in credit risk since initial recognition. When determining whether the risk of default on a loan has increased significantly since initial recognition, the Consolidated Entity uses the criteria of 30 days past due or loans under credit hardship as the criteria to identify whether there has been a significant increase in credit risk.

For these loans, provision is made for losses from credit default events expected to occur over the lifetime of the loan.

Stage 3: credit impaired

Loans are transferred to stage 3 when there is objective evidence of credit impairment. Assets are considered credit impaired when:

- significant financial difficulty of the borrower exists;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- restructuring of a loan or accepting a repayment plan on terms that the Consolidated Entity would not consider otherwise;
- the loan is past due for 90 days or more without agreed arrangements, such as hardship or pending settlement; and
- For these loans, provision is made for losses from credit default events expected to occur over the lifetime of the loan.

#### Economic Overlay

An economic overlay provision has been included to reflect the economic uncertainty associated with COVID-19 and likely impact of additional impairment of loans to our normal impairment methodology. The overlay provision is to reflect forward looking adjustments associated with range of economic stress factors, including unemployment, impact upon asset values and the mitigating impacts of government assistance and loan deferral packages.



## Notes to the financial statements

### For the year ended 30 June 2020

Bank First has provided loan repayment deferral arrangements to customers impacted by COVID-19 in line with industry practice and regulatory requirements. The packages have been offered to customers to provide short term cash flow support. During the deferral period interest is capitalised and it is expected that the loan balance along with the capitalised interest will be repaid in full. These deferrals are considered as temporary, as such not considered to represent a significant increase in credit risk and remain in Stage 1 for ECL provisioning purposes.

Refer to Note 22(a) for further information on credit risk management.

Impaired loans are written off against the provision for impairment when there is no realistic prospect of future recovery and all collateral has been realised.

The Consolidated Entity seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the arrears profile of the Member is extinguished after six months if the Member has complied with the renegotiated terms.

A general reserve for credit losses is also held as an additional allowance for impairment losses to meet current prudential requirements. Refer to Note 17.

#### l. Other investments

Investments in controlled entities are measured at cost less any allowance for impairment.

Investment in equity instruments are measured at fair value through other comprehensive income, where an irrevocable election has been made by management. Amounts presented in other comprehensive income are not subsequently transferred to profit or loss. Dividends that represent a return on investment (as opposed to a return of investment) continue to be recognised in profit or loss. Cumulative gains and losses recognised in other comprehensive income are never subsequently reclassified from equity to profit or loss, even on disposal of the investment, meaning there is no need to review such investments for possible impairment.

#### m. Property, plant and equipment

##### Property

Land and buildings are carried at fair value based on regular valuations by an external independent valuer who has carried out the valuation in accordance with generally accepted valuation Standards and Australian Accounting Standards.

##### Plant and equipment

Plant and equipment are carried at cost less any accumulated depreciation and any accumulated impairment losses.

The carrying values of plant and equipment are reviewed for impairment annually or when circumstances indicate that the carrying amount may not be recoverable. If such an indication exists and where the carrying amount exceeds the recoverable amount (being the higher of fair value and value in use), the assets are written down to their recoverable amount.

The recoverable amount is assessed on the basis of expected net cash flows that will be received from the asset's employment and subsequent disposal, discounted to their present values. Any decrement in the carrying amount is recognised as an impairment expense in the Statement of Comprehensive Income.

##### Depreciation

With the exception of land, all property, plant and equipment is depreciated over their useful lives commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired term of the lease or the estimated useful life of the improvements. Land is not depreciated.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Buildings	40 years
Plant and equipment	5 to 20 years
Leasehold improvements	17 years
Artwork	40 years
Computer equipment	2 to 4 years
Motor vehicles	4 to 8 years

The assets residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate at each financial year-end.

##### Derecognition and disposal

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Comprehensive Income in the year the asset is derecognised.

##### Revaluations of land and buildings

Any revaluation increment is credited to the asset revaluation reserve included in the equity section on the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the statement of comprehensive income, in which case the increase is recognised in the statement of comprehensive income.

Any revaluation decrement is recognised in the statement of comprehensive income, except to the extent that it offsets a previous revaluation increase for the same asset, in which case the decrease is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

Additionally, any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

#### n. Intangible assets

Intangible assets consist of computer software which has a finite useful life and is carried at cost less any accumulated amortisation and any impairment losses. Computer software is amortised on a straight-line

## Notes to the financial statements

### For the year ended 30 June 2020

basis over 2 to 3 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired and is reviewed at least annually.

#### o. Interest bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

#### p. Deposits

All deposits are initially recognised at fair value. After initial recognition, deposits are subsequently measured at amortised cost using the effective interest method.

Interest is calculated on the daily balance and posted to the accounts periodically, or on maturity of the term deposit. Interest on deposits is calculated on an accrual basis. The amount of the accrual is shown as a part of trade and other payables.

#### q. Derivative financial instruments and hedge accounting

The Consolidated Entity enters into derivatives such as interest rate swaps to manage its exposure to interest rate risk.

Interest rate swaps relate to contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as interest rate. The Consolidated Entity either receives or pays a floating rate of interest in return for paying or receiving, respectively, a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

Derivatives are recognised at fair value and are classified as trading except where they are designated as a part of an effective hedge relationship and classified as hedging derivatives. The carrying value of derivatives is measured at fair value throughout the life of the contract. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

#### Cash flow hedges

The Consolidated Entity designates its derivatives as hedges of highly probable future cash flows attributable to a recognised asset or liability, or a highly probable forecast transaction (cash flow hedges).

Documentation is prepared at the inception of the hedge to detail the relationship between the hedging instrument and hedged item including the effectiveness of the proposed hedge, along with the risk management objectives and strategy for undertaking the hedge transactions. On an ongoing basis, testing is conducted to document whether the hedging instrument used is highly effective in offsetting changes in cash flows of the hedged item.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in the cash flow hedge reserve within equity. The gain or loss relating to

the ineffective portion is recognised immediately in the statement of comprehensive income. The carrying value of the hedged item is not adjusted. Amounts accumulated in equity are transferred to the statement of comprehensive income in the period(s) in which the hedged item will affect profit or loss (e.g. when the forecast hedged variable cash flows are recognised within profit or loss).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in the income statement when the forecast transaction is ultimately recognised. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in equity is immediately transferred to the statement of comprehensive income.

Details of the fair value of the derivative instruments used for hedging purposes are provided in Note 23.

#### r. Employee benefits

##### (i) Wages

Liabilities for wages, including any non-monetary benefits expected to be settled within 12 months of the reporting date in respect of employees services up to the reporting date, are recognised in trade and other payables. They are measured at the amounts expected to be paid when the liabilities are settled.

##### (ii) Annual leave

Liabilities for annual leave expected to be settled within 12 months of the reporting date in respect of employees services up to the reporting date, are recognised in the provision for annual leave. They are measured at the amounts expected to be paid when the liabilities are settled.

##### (iii) Long service leave

The liability for long service leave in respect of services provided by employees up to the reporting date is recognised in the provision for long service leave and measured as the present value of expected future payments to be made.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

## 2. New and amended standards and interpretations

In these financial statements, the Consolidated Entity has applied, for the first time, AASB 16 Leases effective for annual period beginning on or after 1 July 2019. The nature and effect of the changes as a result of the adoption of the new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the Bank's consolidated financial statements. The Bank has not adopted early any other standards, interpretations or amendments that has been issued but is not yet effective.



## Notes to the financial statements

For the year ended 30 June 2020

### AASB 16 Leases

AASB 16 supersedes AASB 117 Leases and it replaces AASB 117 Leases, AASB Interpretation 4 Determining whether an Arrangement contains a Lease, AASB Interpretation-115 Operating Leases-Incentives and AASB Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Under AASB16 nearly all leases will be recognised on the balance sheet. The changes are driven by the desire to enhance comparability of financial statements between entities that own assets and entities that lease assets. The Consolidated Entity has adopted AASB 16 from 1 July 2019 using the modified retrospective transition option and has not restated comparative information for 30 June 2019 for leases in the scope of AASB16. All right-of-use assets (ROU) will be measured with respect to the associated lease liability on the date of transition as opposed to measuring them as if AASB 16 had always been applied (often referred to as the simplified approach).

The new standard will also change the cash flow statement. Lease payments that relate to contracts that have previously been classified as operating leases are no longer presented as operating cash flow in full. Only the part of the lease payments that reflect interest on the lease liability can be presented as an operating cash flow. The consolidated entity has opted to include the interest paid as part of operating activities as Occupancy Expenses. Cash payments for the principal portion of the lease liability are classified within financing activities. Payments for short-term leases and leases of low-value assets not

included in the measurement of lease liability remain presented within operating activities.

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in AASB 117. Therefore, AASB 16 does not have an impact for leases where the Consolidated Entity is the lessor.

### Impact on transition

Ltd and the other at 126 Puckle Street, Moonee Ponds, under an operating lease expiring June 2035. Both of these leases have been recognised as right-of-use assets and lease liabilities in the accounts for Bank First, with only the Moonee Ponds lease reflected in the accounts for the Consolidated Entity.

In adopting AASB 16 the bank:

- has not recognised ROU assets or lease liabilities in respect of low value leases or leases that expire within 12 months of 1 July 2019;
- has measured the ROU asset as an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.
- has recognised its lease liabilities by discounting the remaining lease payments as at 1 July 2019 using an incremental borrowing rate; and
- included extension to the lease term where contract options exist and are likely to be exercised.

## 2. New and amended standards and interpretations (continued)

### AASB 16 Leases (continued)

The effect of adopting AASB 16 as at 1 July 2019 on the results in current period is, as follows:

	Bank First		Consolidated Entity	
	30 June 2020 \$000's	30 June 2019 \$000's	30 June 2020 \$000's	30 June 2019 \$000's
<b>Impact of AASB16 on profit/(loss)</b>				
Rental expense (i)	34	2,730	207	359
Depreciation on ROU assets	2,188	-	117	-
Interest on Lease Liabilities	846	-	80	-
Changes Impact by AASB16	3,068	2,730	404	359
Other occupancy costs	278	439	1,089	1,211
<b>Total Occupancy Cost</b>	<b>3,346</b>	<b>3,169</b>	<b>1,493</b>	<b>1,570</b>
Impact in current period of AASB 16 change (ii)	362	-	68	-

(i) The variable lease payments (including unclaimed GST expense) not included in the measurement of the lease liability remained in the rental expense.

(ii) The impact of the change in accounting treatment under AASB 16 has increased net Occupancy costs in the period.

## Notes to the financial statements

For the year ended 30 June 2020

### 2. New and amended standards and interpretations (continued)

#### AASB 16 Leases (continued)

The effect of adopting AASB 16 as at 1 July 2019 has resulted in the following assets and liabilities being recognised in the accounts as at 30 June 2020:

	Bank First		Consolidated Entity	
	30 June 2020 \$000's	30 June 2019 \$000's	30 June 2020 \$000's	30 June 2019 \$000's
<b>Balance sheet impact of AASB16</b>				
Right-of-use assets (i)	22,393	-	1,771	-
Lease Liabilities (ii)	(22,895)	-	(1,979)	(170)
Make good provision (ii)	(30)	-	(30)	-

Under AASB16, the lease incentive of \$170k from prior year was re-classed from lease liabilities and recognised as part of the ROU assets (AASB16.24(b)).

(i) Right-of-use assets are categorised under Property, plant and equipment (Note 11)

(ii) Lease liabilities and Make good provision are categorised under Trade and other payables (Note 14).

The following table reconciles the operating lease commitments disclosed under AASB 117 as at 30 June 2019 to the opening lease liabilities recognised under AASB 16 as at 1 July 2019.

	Bank First	Consolidated Entity
	1 July 2019 Restated \$000's	1 July 2019 Restated \$000's
Operating lease commitments as at 30 June 2019 under AASB 117	12,708	4,286
Exclusion of leases with a remaining term of less than one year and low values	(1,429)	(1,429)
Increase in the lease term for extension options (10 years)	19,749	-
Total undiscounted lease payments	31,028	2,857
Effect of discounting at a weighted average borrowing rate	(6,306)	(829)
<b>Total lease liabilities as at 1 July 2019 under AASB 16</b>	<b>(24,722)</b>	<b>(2,028)</b>
Provision for lease restoration obligations	30	30
<b>Total liabilities recognised on adoption of AASB 16</b>	<b>(24,752)</b>	<b>(2,058)</b>

## Notes to the financial statements

For the year ended 30 June 2020

### 3. Selected income and expenses

#### a) Interest Income

	Bank First		Consolidated Entity	
	30 June	30 June	30 June	30 June
	2020	2019	2020	2019
	\$000's	\$000's	\$000's	\$000's
<b>Interest income</b>				
Loans secured by real estate mortgages	74,898	77,590	74,898	77,590
Investments	7,241	12,805	7,241	12,805
Government guaranteed loans	2	6	2	6
Other loans and advances	5,102	6,040	5,102	6,040
Due from controlled entities	1,253	1,351	-	-
Total interest income	88,496	97,792	87,243	96,441

#### b) Interest expense

<b>Interest expense</b>				
Due to controlled entities	9	28	-	-
Short-term borrowings	-	7	-	7
Other persons	33,723	42,405	33,723	42,405
	<b>33,732</b>	<b>42,440</b>	<b>33,723</b>	<b>42,412</b>
<b>Net interest income</b>	54,764	55,352	53,520	54,029

#### c) Other Operating income

<b>Other Operating income</b>				
Fees	2,626	2,521	2,626	2,521
Commissions	7,074	7,429	7,074	7,429
Other revenue from contracts with customers	354	415	327	389
<b>Total Revenue from contracts with customers</b>	<b>10,054</b>	<b>10,365</b>	<b>10,027</b>	<b>10,339</b>
Other	74	161	1,012	1,033
Total other operating income	10,128	10,526	11,039	11,372

### 4. Income tax expense

The major components of income tax expense are:

#### On net profit for the period:

Current income tax expense	4,447	4,753	4,630	4,813
Adjustments for income tax expense of previous years	(42)	(128)	(42)	(128)
Deferred tax relating to origination and reversal of temporary differences	(579)	(143)	(611)	(167)
<b>Income tax expense reported in the statement of comprehensive income</b>	<b>3,826</b>	<b>4,482</b>	<b>3,977</b>	<b>4,518</b>

Refer to Note 12 for details of deferred tax assets and liabilities.

The balance of franking credits for Bank First as at 30 June 2020 was \$86m (2019: \$81m).

A reconciliation between income tax expense on net profit for the period before income tax reported in the statement of comprehensive income, and net profit for the period before income tax multiplied by the Consolidated Entity's applicable income tax rate, is as follows:

## Notes to the financial statements

For the year ended 30 June 2020

	Bank First		Consolidated Entity	
	30 June	30 June	30 June	30 June
	2020	2019	2020	2019
	\$000's	\$000's	\$000's	\$000's
<b>Profit for the period before income tax</b>	<b>12,836</b>	<b>15,400</b>	<b>13,341</b>	<b>15,522</b>
Income tax expense at the Consolidated Entity's statutory income tax rate of 30% (2019: 30%)	3,851	4,620	4,001	4,657
Tax on expenses not allowable as tax deductions	17	11	17	11
Tax offsets and other items	-	(21)	-	(21)
Adjustments for income tax of previous years	(42)	(128)	(42)	(128)
<b>Income tax expense reported in the statement of comprehensive income</b>	<b>3,826</b>	<b>4,482</b>	<b>3,977</b>	<b>4,518</b>

### 5. Cash and cash equivalents

Cash at bank and on hand	83,541	48,051	83,541	48,051
Deposits at call	25,000	65,000	25,000	65,000
	<b>108,541</b>	<b>113,051</b>	<b>108,541</b>	<b>113,051</b>

### 6. Trade and other receivables

Interest receivable on investments	913	1,777	913	1,777
Other receivables	108	148	190	307
	<b>1,021</b>	<b>1,925</b>	<b>1,103</b>	<b>2,084</b>

Other receivables are recognised as amounts owed to the Consolidated Entity for services provided, unrepresented cheques and deposits not yet credited to the bank account, and reimbursements of expenses incurred on behalf of a third party. Amounts due for services provided are settled on normal commercial terms.

### 7. Investments

Investments with banks				
- Banks and Mutual Banks	431,552	296,753	431,552	296,753
Investments with other ADIs				
- Indue Ltd	7,217	7,217	7,217	7,217
- Credit unions and building societies	24,428	29,979	24,428	29,979
	<b>463,197</b>	<b>333,949</b>	<b>463,197</b>	<b>333,949</b>

#### Maturity analysis

No longer than 3 months	124,054	56,067	124,054	56,067
Longer than 3 months and less than 12 months	151,452	114,171	151,452	114,171
Longer than 1 year and less than 5 years	187,691	163,711	187,691	163,711
	<b>463,197</b>	<b>333,949</b>	<b>463,197</b>	<b>333,949</b>

All investments are held directly with Australian banks and subsidiaries and Australian registered Authorised Deposit-taking Institutions (ADIs). Refer to Note 22(a) for further comments and tables on credit quality and risk.

### 8. Loans

#### a) By class

Secured by real estate mortgage	2,160,391	2,109,282	2,160,391	2,109,282
Government guaranteed school loans	84	136	84	136
Other loans and advances	72,378	80,892	72,378	80,892
Capitalised origination costs	2,771	2,694	2,771	2,694
	<b>2,235,624</b>	<b>2,193,004</b>	<b>2,235,624</b>	<b>2,193,004</b>
Provision for impairment	(3,313)	(1,368)	(3,313)	(1,368)
<b>Net loans and advances</b>	<b>2,232,311</b>	<b>2,191,636</b>	<b>2,232,311</b>	<b>2,191,636</b>

As at 30 June 2020 the Consolidated Entity and Bank First predominantly have loans contractually maturing longer than 5 years.

## Notes to the financial statements

For the year ended 30 June 2020

### b) By risk level

The following table sets out information in relation to credit quality of the loans by category of loss allowance as at 30 June 2020.

<b>Bank First and Consolidated Entity</b>				
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>2020 Total</b>
	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>
Residential mortgages	2,146,241	14,144	-	2,160,384
Government guaranteed loans	84	-	-	84
Other loans and advances	70,657	683	1,045	72,385
Capitalised origination costs	2,771	-	-	2,771
<b>Total</b>	<b>2,219,753</b>	<b>14,827</b>	<b>1,045</b>	<b>2,235,624</b>
Provision for impairment	(1,360)	(570)	(684)	(2,613)
Economic Overlay	(700)	-	-	(700)
<b>Net loans and advances</b>	<b>2,217,693</b>	<b>14,257</b>	<b>361</b>	<b>2,232,311</b>

<b>Bank First and Consolidated Entity</b>				
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>2019 Total</b>
	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>
Residential mortgages	2,097,281	12,000	-	2,109,282
Government guaranteed loans	136	-	-	136
Other loans and advances	79,103	1,250	540	80,892
Capitalised origination costs	2,694	-	-	2,694
<b>Total</b>	<b>2,179,214</b>	<b>13,250</b>	<b>540</b>	<b>2,193,004</b>
Provision for impairment	(557)	(605)	(206)	(1,368)
<b>Net loans and advances</b>	<b>2,178,657</b>	<b>12,645</b>	<b>334</b>	<b>2,191,636</b>

Bank First and Consolidated Entity has provided loan repayment deferral arrangements to customers impacted by COVID-19 in line with industry practice and regulatory requirements. The packages have been offered to customers to provide short term cash flow support. During the deferral period interest is capitalised and it is expected that the loan balance along with the capitalised interest will be repaid in full. These deferrals are considered as temporary, as such not considered to represent a significant increase in credit risk and remain in Stage 1 for ECL provisioning purposes.

<b>Bank First and Consolidated Entity</b>				
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>12 Months ECL</b>	<b>Lifetime ECL not</b>	<b>Lifetime ECL</b>	<b>\$000's</b>
	<b>Collective</b>	<b>credit impaired</b>	<b>Credit Impaired</b>	
	<b>Provision</b>	<b>Collective</b>	<b>Specific</b>	
	<b>\$000's</b>	<b>Provision</b>	<b>Provision</b>	
<b>c) Movement in provision for impairment</b>				
<b>Balance at 1 July 2018</b>	231	241	326	798
New and increased provisions	326	364	173	863
Write offs from specific provisions	-	-	(293)	(293)
<b>Balance at 30 June 2019</b>	<b>557</b>	<b>605</b>	<b>206</b>	<b>1,368</b>
<b>Balance at 1 July 2019</b>	<b>557</b>	<b>605</b>	<b>206</b>	<b>1,368</b>
New and increased provisions	803	106	1,444	2,353
Change in stage classification	-	(142)	142	-
Write offs from specific provisions	-	-	(1,108)	(1,108)
Economic Overlay provision	700	-	-	700
<b>Balance at 30 June 2020</b>	<b>2,060</b>	<b>569</b>	<b>684</b>	<b>3,313</b>

The table above provides movements in the impairment provisions by expected credit loss (ECL) stage for the year ended 30 June 2020.

- **New and increased provisions** reflect provision movements for new accounts, movements in balances and the net movement of loans between the stages during the period. In current year this also includes increase in provision for inclusion of loan commitments as part of gross credit exposures;
- **Change in stage classification** reflects a change in categorisation of certain loans products as stage 3 when past due 90 days based on review of historical loss information available;
- **Write-offs from specific provisions** reflects accounts written off when there is no reasonable expectation of recovery; and

## Notes to the financial statements

### For the year ended 30 June 2020

- **Economic Overlay** provision is a new addition in current year to reflect the economic uncertainty associated with COVID-19 and likely impact of additional impairment of loans to our normal impairment methodology. This provision is considered as part of Stage 1 as the loans in Stages 2 and 3 are considered sufficiently provided for based on the lifetime ECL assessment.

#### d) Provision for impairment

	Bank First		Consolidated Entity	
	30 June 2020 \$000's	30 June 2019 \$000's	30 June 2020 \$000's	30 June 2019 \$000's
Individual balances identified as impaired	1,045	540	1,045	540
Individual impairment on the above	684	206	684	206
Collective impairment	2,629	1,162	2,629	1,162
	<b>3,313</b>	<b>1,368</b>	<b>3,313</b>	<b>1,368</b>

#### e) Charge to profit or loss for impairment

Additional provisions	3,052	863	3,052	863
Recoveries	(116)	(22)	(116)	(22)
	<b>2,936</b>	<b>841</b>	<b>2,936</b>	<b>841</b>

### 9. Due from controlled entities

An inter entity loan was provided by Bank First to VTMB Properties Pty Ltd in February 2013 for the purchase and fit out of a commercial property located at 117 Camberwell Road, Hawthorn East. VTMB Properties Pty Ltd is a wholly owned subsidiary of Bank First and was established to manage the Consolidated Entity's property portfolio. The inter entity loan was made on normal commercial terms and conditions.

### 10. Other assets

	Bank First		Consolidated Entity	
	30 June 2020 \$000's	30 June 2019 \$000's	30 June 2020 \$000's	30 June 2019 \$000's
Prepayments	645	369	748	490
Intangibles	1,739	2,014	1,739	2,014
Other investments	4,940	4,973	1,330	1,424
	<b>7,324</b>	<b>7,356</b>	<b>3,817</b>	<b>3,928</b>

Other Investments (Equity investment in Indue Ltd), which are measured at fair value falls under the Level 2 category of the fair value hierarchy as defined in Note 23. The fair value of \$381 (2019: \$408) per share is based on the internal valuation provided by Indue Ltd.

Intangibles are predominantly made up of computer software.

### 11. Property, plant and equipment

	Bank First		Consolidated Entity	
	30 June 2020 \$000's	30 June 2019 \$000's	30 June 2020 \$000's	30 June 2019 \$000's
Cost or fair value	35,218	10,232	54,844	50,114
Accumulated depreciation	(8,728)	(5,671)	(8,655)	(7,528)
<b>Net carrying amount</b>	<b>26,490</b>	<b>4,561</b>	<b>46,189</b>	<b>42,586</b>
Land and buildings	-	-	39,400	36,931
Office equipment	1,627	1,789	1,659	1,834
Furniture and fittings	252	262	1,141	1,311
Motor vehicles	888	1,077	888	1,077
Leasehold improvements	1,329	1,433	1,329	1,433
Right-of-use lease assets	22,394	-	1,772	-
<b>Net carrying amount</b>	<b>26,490</b>	<b>4,561</b>	<b>46,189</b>	<b>42,586</b>

## Notes to the financial statements

### For the year ended 30 June 2020

Property plant and equipment primarily comprised of land and buildings. Land and buildings movement for the year is detailed in table below:

	Bank First		Consolidated Entity	
	30 June 2020 \$000's	30 June 2019 \$000's	30 June 2020 \$000's	30 June 2019 \$000's
<i>Land and buildings</i>				
Opening net book amount	-	-	36,931	31,590
Revaluation	-	-	3,274	6,127
Depreciation	-	-	(805)	(786)
<b>Closing net book amount</b>	<b>-</b>	<b>-</b>	<b>39,400</b>	<b>36,931</b>

If land and buildings were measured using the cost model the carrying amounts would be:

<b>Land and buildings at cost</b>	<b>-</b>	<b>-</b>	<b>27,034</b>	<b>27,928</b>
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### Fair value hierarchy

Land and Buildings at fair value fall under the Level 2 category of the fair value hierarchy as defined in Note 23.

### Valuation techniques used to derive Level 2 fair values

The Consolidated Entity engaged qualified valuers from Jones Lang LaSalle, to determine the fair value of its land and buildings. The valuation assumptions in respect of investment parameters, market growth outlook, and relating assumptions have sought to consider the impact of COVID-19 on economic conditions, albeit in an environment where significant market uncertainty exists. Due to the level of uncertainty that the COVID-19 outbreak has caused, the valuation is current at the date of the valuation only, which was 30 June 2020.

The valuation was derived by adopting two valuations techniques, the capitalisation of market rental approach and the discounted cash flow approach. The capitalisation approach involves the addition of our valuer's opinion of market rent for the various components of the Property, and the deduction of outgoings (where appropriate) in order to determine the net market income of the Property. This net market income is capitalised at the adopted capitalisation rate to derive a core value. The discounted cash flow approach involves deriving the net present value of future estimated cash flows over a 10 year period.

### Valuation inputs

The following primary inputs have been used:

	Consolidated Entity	
	2020	2019
Capitalisation rate (%)	5.75	6.00
Terminal rate (%)	6.25	6.50
Discount rate (%)	6.50	7.00

### Sensitivity to significant changes in unobservable inputs within Level 2 of the hierarchy

A significant increase in the capitalisation, terminal or discount rates would result in lower fair value of land and buildings at fair value, while significant decrease in the capitalisation, terminal or discount rates would result in a higher fair value.

### Accounting for fair value revaluation gain

The 117 Camberwell Road property held by the VTMB Properties Pty Ltd subsidiary was valued at \$39.4m as at 30 June 2020. The \$3.27m (2019: \$6.13m) increase was fully booked to asset revaluation reserve.

## Notes to the financial statements

For the year ended 30 June 2020

### 12. Deferred tax assets and liabilities

The balance comprises temporary differences attributable to:

	Bank First		Consolidated Entity	
	30 June 2020 \$000's	30 June 2019 \$000's	30 June 2020 \$000's	30 June 2019 \$000's
<b>Deferred tax assets</b>				
Accruals not currently deductible	49	179	136	222
Deferred Income currently assessable	577	641	577	641
Provisions for impairment on loans	994	412	994	412
Provisions and accruals for staff entitlements	1,800	1,664	1,800	1,664
Right-of-use lease assets	62	-	62	-
Cash flow hedge reserve	-	21	-	21
<b>Total deferred tax assets</b>	<b>3,482</b>	<b>2,917</b>	<b>3,569</b>	<b>2,960</b>
<b>Deferred tax liabilities</b>				
Deferred loan fee expenses	-	2	-	2
Revaluation of investments	193	221	193	221
Depreciation of Property Plant and Equipment	71	67	3,736	2,738
<b>Total deferred tax liabilities</b>	<b>264</b>	<b>290</b>	<b>3,929</b>	<b>2,961</b>

### 13. Deposits

Term deposits	927,816	1,007,209	927,816	1,007,209
Deposits on call	1,676,900	1,441,365	1,675,811	1,440,519
Withdrawable member shares	716	755	716	755
	<b>2,605,432</b>	<b>2,449,329</b>	<b>2,604,343</b>	<b>2,448,483</b>

Refer to financial risk management Note 22(c) for the maturity profile of deposits.

### 14. Trade and other payables

Creditors and accruals	3,410	3,715	3,796	3,943
Settlement accounts	259	142	259	142
Accrued deposit interest	5,331	6,963	5,331	6,963
Lease liabilities	22,925	170	2,009	170
	<b>31,925</b>	<b>10,990</b>	<b>11,395</b>	<b>11,218</b>

### 15. Derivative financial instruments

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities.

At 30 June 2020, all interest rate swap agreements had matured. (2019: \$8m). The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of either the market risk or the credit risk:

	30 June 2020		30 June 2019	
	Assets \$000's	Liabilities \$000's	Assets \$000's	Liabilities \$000's
<b>Bank First and Consolidated Entity</b>				
<b>Derivatives used as cash flow hedges</b>				
Interest rate swaps	-	-	-	76

Fair value measurement is classified as Level 2 in the fair value hierarchy with the methodology and basis for valuation explained in Note 23.

The interest rate swaps are recognised initially in the balance sheet at fair value and are classified as hedging derivatives. The carrying value of interest rate swaps are remeasured to its current fair value throughout the life of the contract. Its value is derived from one or more underlying price, index or other variables.



## Notes to the financial statements

For the year ended 30 June 2020

	Bank First and Consolidated Entity	
	30 June 2020	30 June 2019
	\$000's	\$000's
<b>The net movement on derivatives during the year was as follows:</b>		
Charged to comprehensive income	48	55
	<b>48</b>	<b>55</b>

At 30 June 2020, the notional principal amounts and period of expiry of the interest rate swap contracts are as follows:

	Bank First and Consolidated Entity	
	30 June 2020	30 June 2019
	\$000's	\$000's
0 - 1 year	-	8,000
	-	<b>8,000</b>

### Cash Flow Hedges

The Consolidated Entity is exposed to variability in the future interest cash flows on non-trading assets and liabilities which bear interest at a variable rate. The Consolidated Entity uses interest rate swaps as cash flow hedges of these interest rate risks.

### 16. Provisions

	Bank First		Consolidated Entity	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	\$000's	\$000's	\$000's	\$000's
Provisions - Long Service Leave	4,091	3,825	4,091	3,825
Provisions - Annual leave	1,691	1,530	1,691	1,530
	<b>5,782</b>	<b>5,355</b>	<b>5,782</b>	<b>5,355</b>

### 17. Equity

#### General reserve

The balance of retained profits at the end of each year is transferred to the general reserve. The general reserve also includes the share redemption reserve. Redeemed capital reserve represents the amount of redeemable preference shares (member shares) redeemed since 1 July 1999.

#### Asset revaluation reserve

The asset revaluation reserve is used to record increases in the fair value of buildings and decreases to the extent that such decreases relate to an increase on the same asset previously recognised in equity.

#### Reserve for credit losses

The reserve for credit losses is used to recognise an additional allowance for credit losses as required when reporting financial results to APRA. This reserve is not permitted by Australian Accounting Standards to be recognised as an impairment charge against loans and overdrafts or recognised as an expense in the statement of comprehensive income.

#### Cash flow hedge reserve

The cash flow hedge reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts the profit and loss consistent with the applicable accounting policy.

#### Fair value reserve

The fair value reserve is used to recognise the increases and decreases in the fair value of Equity Investment Securities (held in Other Assets). The cumulative gains and/or losses recognised in the reserve are never subsequently reclassified from equity to profit or loss even on the disposal of the investment.

## Notes to the financial statements

For the year ended 30 June 2020

### 18. Statement of cash flows

	Bank First		Consolidated Entity	
	30 June 2020 \$000's	30 June 2019 \$000's	30 June 2020 \$000's	30 June 2019 \$000's
<b>Cash flows from operating activities:</b>				
Net profit	9,010	10,920	9,364	11,006
<b>Adjustments for:</b>				
Net loss/(gain) on sale of non-current assets	9	(96)	9	(94)
Provisions for loan impairment	3,063	999	3,063	999
Depreciation/amortisation	4,471	2,180	3,413	3,177
<b>Changes in assets and liabilities:</b>				
(Increase)/decrease in accrued receivables	40	15	117	(80)
(Increase)/decrease in accrued interest	864	1,056	864	1,068
(Increase)/decrease in other investments	(61)	(39)	-	-
(Increase)/decrease in other assets	(278)	(100)	(260)	(146)
(Increase)/decrease in deferred tax asset	(565)	8	(608)	(36)
Increase/(decrease) in trade creditors	(305)	(923)	(147)	(759)
Increase/(decrease) in interest payable	(1,660)	212	(1,660)	212
Increase/(decrease) in provisions	457	570	457	493
Increase/(decrease) in income taxes payable	(584)	(1,366)	(461)	(1,267)
Increase/(decrease) in deferred tax liabilities	2	(14)	13	137
<b>Net Cash from operating activities</b>	<b>14,463</b>	<b>13,422</b>	<b>14,164</b>	<b>14,710</b>

### 19. Commitments and contingencies

#### a) Contingent liabilities

There are no contingent liabilities at 30 June 2020 (2019: Nil).

#### b) Credit commitments

Binding commitments to extend credit are agreements to lend to a Member as long as there is no violation of any condition established in the contract. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

##### Irrevocable:

Approved loans but undrawn loans	66,249	64,162	66,249	64,162
Loans available for redraw	351,743	315,512	351,743	315,512
	<b>417,992</b>	<b>379,674</b>	<b>417,992</b>	<b>379,674</b>

##### Revocable:

Undrawn line of credit and credit card commitments	81,543	83,324	81,543	83,324
	81,543	83,324	81,543	83,324
	<b>499,535</b>	<b>462,998</b>	<b>499,535</b>	<b>462,998</b>

#### c) Bank commitments

Bank First guarantees the performance of certain Members by issuing guarantees or Transaction Negotiation Authorities to third parties in relation to payroll processing. The credit risk involved is managed through holding Term Deposits as collateral.

## Notes to the financial statements

### For the year ended 30 June 2020

#### d) Lease expenditure commitments

Bank First leases two properties one at 117 Camberwell Road, Hawthorn East, under an operating lease expiring February 2023 and the other at 126 Puckle Street, Moonee Ponds, under an operating lease expiring June 2035 (for Consolidated Entity). With the application of AASB16 Leases from 1 July 2019 both of these property leases have been recognised on the balance sheet and therefore are not disclosed as future lease commitments below. Refer to Note 2 for further explanation on the adoption of AASB16 Leases.

Bank First also leases some equipment and business continuity space on terms of up to 5 years. Future minimum rentals payable are as follows:

	Bank First		Consolidated Entity	
	30 June 2020	30 June 2019 Restated	30 June 2020	30 June 2019 Restated
	\$000's	\$000's	\$000's	\$000's
Within 1 year	412	2,905	412	542
1 to 5 years	568	7,650	568	1,591
Over 5 years	-	2,153	-	2,153
	<b>980</b>	<b>12,708</b>	<b>980</b>	<b>4,286</b>

#### e) Lease income receivables

The Consolidated Entity leases out part of one property under a non-cancellable operating lease expiring June 2023.

Future minimum rental receivables are as follows:

Within 1 year	-	-	887	886
1 to 5 years	-	-	1,782	-
	-	-	<b>2,669</b>	<b>886</b>

#### 20. Auditor's remuneration

Audit fees and audit related fees

Fees for audit of the complete set of financial statements 169 170 169 170

Securitisation reviews 35 - 35 -

**Total audit and audit related fees 204 170 204 170**

All other fees

Tax related services 39 42 39 42

Other services 76 100 76 100

Total other fees 115 142 115 142

**319 312 319 312**

#### Audit related and other services

Deloitte were appointed as auditors during the year and Bank First also engaged them during the financial year ending 30 June 2020 to provide a number of services in relation to taxation and extended assurance services. Ernst & Young ceased being auditors during the year and Bank First engaged them during the financial year ending 30 June 2020 to provide a number of services in relation to taxation and extended assurance services.

\*Amounts included GST

## Notes to the financial statements

For the year ended 30 June 2020

### 21. Director and executive disclosures

#### a) Details of Key Management Personnel

##### (i) Directors

The following persons were Directors of Bank First during the financial year:

B. Lloyd	J. Dawson	G. Willis
S. Terry	M. Monester	J. Crowe
M. Devadason (Commenced February 2020)		

##### (ii) Executives

The following executives were those persons with authority for implementing the strategic plan, and management of Bank First and its subsidiaries during the financial year:

W. Wolke - Chief Executive Officer
A. Alsbury - Chief Strategy & Marketing Officer
G. Borg - Chief People & Culture Officer
D. Percival - Chief Financial Officer
M. Ricker - Chief Customer Officer
M. Thomson - Chief Technology Officer
E. Torelli - Chief Risk Officer

#### b) Aggregate Compensation of Key Management Personnel

	Bank First		Consolidated Entity	
	30 June	30 June	30 June	30 June
	2020	2019	2020	2019
	\$000's	\$000's	\$000's	\$000's
Short-term employee benefits - salaries	3,296	3,212	3,296	3,212
Post-employment benefits - superannuation contributions	200	203	200	203
Other long-term benefits - long service leave	62	105	62	105
<b>Total</b>	<b>3,558</b>	<b>3,520</b>	<b>3,558</b>	<b>3,520</b>

Compensation includes all forms of consideration paid, payable or provided by Bank First and Consolidated Entity.

#### c) Directors' Remuneration

(included in 21b above)

A formal policy for Directors' remuneration was passed at the 2018 Annual General Meeting. It stated that the aggregate maximum sum determined at that meeting to be paid to Directors as remuneration for their services be adjusted for each following year by an amount not exceeding the amount determined by applying the Headline Consumer Price Index for the preceding year to the remuneration paid for the preceding year.

Aggregate remuneration paid to Directors	537	556	537	556
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## Notes to the financial statements

For the year ended 30 June 2020

### d) Transactions with Key Management Personnel

	Bank First		Consolidated Entity	
	30 June 2020 \$000's	30 June 2019 \$000's	30 June 2020 \$000's	30 June 2019 \$000's
<b>Loans</b>				
<b>Summary of transactions:</b>				
New loans advanced	216	317	216	317
Interest and fees	199	162	199	162
Repayments	926	702	926	702
<b>Revolving credit facilities:</b>				
Total value extended	51	51	51	51
Balance utilised at 30 June	2	4	2	4
<b>Loan and credit facilities:</b>				
<b>Balance owing at 30 June</b>	<b>5,335</b>	<b>4,556</b>	<b>5,335</b>	<b>4,556</b>
<b>Savings and term deposit services:</b>				
<b>Amounts deposited at 30 June</b>	<b>2,420</b>	<b>2,281</b>	<b>2,420</b>	<b>2,281</b>

Loans and revolving line of credit facilities are made to Key Management Personnel (KMP) in the course of ordinary business on normal commercial terms and conditions. These include secured and unsecured loans. Loans must be repaid and paid out in cash or cash equivalents. No loan or line of credit is impaired and no loan has been written off as a bad debt.

Savings and term deposit services are extended to KMP in the course of ordinary business on normal commercial terms and conditions.

Transactions with KMP relate to the KMP in place at any time in each financial year.

The KMP have declared that they have no influence over, or are influenced by, close family members or other related parties that have lending or banking relationships with the Consolidated Entity. These close family members or related parties conduct transactions with the Consolidated Entity on normal terms and conditions offered to all other members.

### e) Shareholdings

Each of the Directors and executives comprising the KMP of the Consolidated Entity hold one withdrawable share as a Member of the Consolidated Entity. No dividends have been declared or paid by the Consolidated Entity on the withdrawable Member shares.

## 22. Financial risk management

Effective risk management is fundamental to the operations of the Consolidated Entity. A comprehensive risk management process is in place which involves identifying, understanding and managing the risks associated with its activities. Risk awareness, controls and compliance is embedded into day-to-day activities and each individual is accountable for the risk exposures relating to his or her role and responsibilities. The Consolidated Entity's risk management is underpinned by a sound risk culture and an integrated framework of responsibilities and functions driven from the Board level down to operational levels, covering all material risks.

The material risks associated with the Consolidated Entity's core activities include the financial risks of credit risk, non-traded market risk and liquidity risk; operational risks such as regulatory & legal, outsourcing, information technology, people, and processes; governance risks such as corporate conduct; and strategic risks which are focused on current strategic plans and performance.

All activities undertaken are consistent with the Consolidated Entity's purpose and objectives.

The Consolidated Entity's overall risk management approach seeks to minimise potential adverse effects on the financial performance of the Consolidated Entity and to protect the interests of its Members.

This note presents information about the Consolidated Entity's exposure to material risks mentioned above and the objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout this note and this complete set of financial statements.

## Notes to the financial statements

For the year ended 30 June 2020

### Risk management structure

Board of Directors:

The Board of Directors is responsible for ensuring risks are identified and controlled, for setting Risk Appetite, approving the Risk Management Strategy, and approving key risk management policies.

Risk Committee:

The Risk Committee has been delegated oversight of the risk management framework and the implementation of policies, strategies, systems and processes. It is responsible for monitoring key risk issues including compliance requirements and monitors relevant risk decisions.

Audit Committee:

The Audit Committee is responsible for the effectiveness and integrity of the financial reporting framework and ensuring the effectiveness of the internal control framework.

Risk & Compliance Management Function:

The Risk & Compliance functional team is responsible for developing, implementing and maintaining defined risk, compliance and governance related frameworks, policies, and procedures to ensure a sound 2nd line of Defence oversight process, and for regular reporting to the Risk Committee and Audit Committee.

Asset & Liability Committee (ALCO):

ALCO is a management committee responsible for oversight and decision making in relation to interest rate risk, and oversight of the structure and mix of, the Consolidated Entity's assets and liabilities. It is also responsible for managing the funding needs and liquidity risks of the Consolidated Entity.

Internal Audit:

Risk management processes throughout the Consolidated Entity are audited regularly by Internal Audit as an Independent 3rd Line of Defence assurance function, examining both the effectiveness and the adequacy of the policies, process, procedures and controls and the Consolidated Entity's compliance with the procedures. Internal Audit discuss the results of all assessments with management and report their findings and recommendations to the Audit Committee.

### a) Credit risk management

Credit risk is the risk that the Consolidated Entity will incur a loss due to Members, or other credit counterparties defaulting on their contractual obligations, or there is a deterioration in the credit quality of third party investment counterparties to which the Consolidated Entity is exposed. The Consolidated Entity manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual and related counterparties and by monitoring exposures in relation to such limits.

To manage, measure and mitigate credit risk, the Consolidated Entity has separate lending and credit control functions, which operate under Board approved delegated limits and policies and procedures that comply with the prudential standards issued by APRA, and responsible lending requirements issued by ASIC.

The major classes of financial assets that expose the Consolidated Entity to credit risk are loans to Members (including undrawn and unused credit commitments), deposits with banks and other investments held with third parties.

The fundamental principles that the Consolidated Entity applies to mitigate credit risk include:

- loans are extended to Members on the basis of a consistent and comprehensive credit assessment process;
- deposits with banks and other financial institutions are governed by their external credit rating and the type of investment product;
- Board approved delegated limits, approval levels, policies and procedures. Policies are consistent with the prudential standards issued by APRA;
- regular monitoring of credit risk exposures once facilities have been approved;
- regular reporting of credit risk exposures to Executive Management and the Board;
- an analysis of related risks including concentration and large exposure risk; and
- credit hindsighting reviews.



## Notes to the financial statements

For the year ended 30 June 2020

### (i) Exposure to credit risk

	Notes	Bank First		Consolidated Entity	
		30 June 2020 \$000's	30 June 2019 \$000's	30 June 2020 \$000's	30 June 2019 \$000's
The table below shows the maximum exposure to credit risk before taking into account any collateral or other credit enhancements.					
Cash and cash equivalents	5	108,541	113,051	108,541	113,051
Trade and other receivables	6	1,021	1,925	1,103	2,084
Deposits with banks	7	431,552	296,753	431,552	296,753
Deposits with authorised deposit-taking institutions	7	31,645	37,196	31,645	37,196
Loans secured by real estate mortgages	8	2,163,162	2,111,976	2,163,162	2,111,976
Government guaranteed loans	8	84	136	84	136
Other loans and advances	8	72,378	80,892	72,378	80,892
Other investments	10	4,940	4,973	1,330	1,424
		<b>2,813,323</b>	<b>2,646,902</b>	<b>2,809,795</b>	<b>2,643,512</b>
Irrevocable credit commitments	19	417,992	379,674	417,992	379,674
		<b>417,992</b>	<b>379,674</b>	<b>417,992</b>	<b>379,674</b>
<b>Total credit risk exposure</b>		<b>3,231,315</b>	<b>3,026,576</b>	<b>3,227,787</b>	<b>3,023,186</b>

### (ii) Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty and the requirements of the Consolidated Entity's policies. Guidelines are implemented regarding the acceptability of type of collateral and valuation parameters. Real estate mortgages are held for all loans classified as loans secured by real estate mortgages.

Goods mortgages are held as collateral over certain other loans and advances, primarily motor vehicle loans, totalling \$28.4m (2019: \$35m) but the realisable or fair value of the related assets is impracticable to determine.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets. The credit risk on financial assets which have been recognised in the balance sheet, other than investments in shares, is generally the carrying amount, net of any provisions for impairment, and is shown gross before the effect of mitigation through use of collateral. Credit risk relating to investments is monitored and controlled by exposure limits to counterparties. These limits are determined by reference to third party credit ratings.

Loan receivables are largely secured by physical property and advanced on a conservative Loan to Value Ratio (LVR) portfolio allocation basis. Lenders Mortgage Insurance is generally taken out for any residential mortgages with a LVR in excess of 80%. At the end of the reporting period, the weighted average LVR (measured as current exposure divided by recorded collateral value) on mortgage loans is: 65.53% (2019: 64.75%). Accordingly, the financial effect of these measures is that remaining credit risk on loans receivable is very low. Some lending products are unsecured (e.g. personal loans). The Consolidated Entity manages its exposure to these unsecured products by making an internal assessment in relation to the credit quality of the customer, taking into account their financial position, past experience and other factors. For financial (liquid) investments, only those securities assessed as being of at least a satisfactory credit grade are accepted.

## Notes to the financial statements

For the year ended 30 June 2020

### (iii) Concentration of Risk

The loan portfolio of the Consolidated Entity does not include individual loans or groups of related loans that represent greater than 10% of capital. An analysis of the concentration of the Consolidated Entity's loans and advances by geographic location is provided below.

Geographic concentration of loans

	Bank First		Consolidated Entity	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
Victorian residents	82%	87%	82%	87%
Other Australian and overseas residents	18%	13%	18%	13%
	100%	100%	100%	100%

### (iv) Credit quality

The table below shows the credit quality of financial assets for the Consolidated Entity:

	Notes	Neither past due or impaired		Past Due or	Total
		High grade \$000's	Other grade \$000's	Impaired \$000's	
<b>2020</b>					
Cash and cash equivalents	5	108,541	-	-	108,541
Trade and other receivables	6	913	190	-	1,103
Deposits with banks	7	431,552	-	-	431,552
Deposits with authorised deposit-taking institutions	7	31,645	-	-	31,645
Loans secured by real estate mortgages	8	2,095,594	62,224	5,344	2,163,162
Government guaranteed loans	8	84	-	-	84
Other loans and advances	8	-	70,734	1,644	72,378
Other investments	10	-	1,330	-	1,330
		<b>2,668,329</b>	<b>134,478</b>	<b>6,988</b>	<b>2,809,795</b>
<b>2019</b>					
Cash and cash equivalents	5	113,051	-	-	113,051
Trade and other receivables	6	1,777	307	-	2,084
Deposits with banks	7	296,753	-	-	296,753
Deposits with authorised deposit-taking institutions	7	37,196	-	-	37,196
Loans secured by real estate mortgages	8	2,041,959	68,511	1,506	2,111,976
Government guaranteed loans	8	136	-	-	136
Other loans and advances	8	-	79,207	1,685	80,892
Other investments	10	-	1,424	-	1,424
		<b>2,490,872</b>	<b>149,449</b>	<b>3,191</b>	<b>2,643,512</b>

Financial assets that are neither past due or impaired are those assets which are complying in full with their contractual obligations, and excludes loans which have fallen into arrears by 30 days or more. Conversely, all financial assets that are not complying with their contractual obligations, or are 30 days or more in arrears, are defined as past due or impaired.

Additional detail on the credit quality of the loan portfolio as at 30 June 2020 in line with AASB 9 Impairment stages is included in Note 8(b).

Financial assets that are neither past due or impaired are classified between those assets that are high grade and not high grade (other grade). To define what is a high grade financial asset, the Consolidated Entity has referred to the prudential standards issued by APRA in particular APS 112 which categorises the asset by likelihood of default. APS 112 applies risk-weighted percentages to indicate the quality of assets. A risk-weight of 50% or less indicates higher quality assets and this in addition to not being impaired has been applied to define high grade assets for the above tables.

## Notes to the financial statements

For the year ended 30 June 2020

### (v) Credit risk exposure - investments with banks and other ADIs

	Standard & Poors or equivalent rating		Bank First		Consolidated Entity	
			2020	2019	2020	2019
			\$000's	\$000's	\$000's	\$000's
- Banks and Mutual Banks	AA- to AA	A1+	70,005	53,521	70,005	53,521
- Banks and Mutual Banks	A- to A+	A2 to A1	162,029	80,960	162,029	80,960
- Banks and Mutual Banks	BBB- to BBB+	A2	153,013	135,422	153,013	135,422
- Banks and Mutual Banks	Unrated	Unrated	46,505	26,850	46,505	26,850
- Credit Unions and Building Societies	BBB- to BBB+	A2 to A3	24,428	29,979	24,428	29,979
- Indue Ltd	Unrated	Unrated	7,217	7,217	7,217	7,217
			<b>463,197</b>	<b>333,949</b>	<b>463,197</b>	<b>333,949</b>
By type of investment						
- Negotiable certificates of deposit			113,583	105,573	113,583	105,573
- Term deposits			42,217	140,159	42,217	140,159
- Fixed rate notes and floating / variable rate notes			307,397	88,217	307,397	88,217
			<b>463,197</b>	<b>333,949</b>	<b>463,197</b>	<b>333,949</b>

Unrated investments are deposits held with counterparties that have not obtained an external rating with Moody's, Standard & Poors or similar rating agencies. These investments have been assessed and are considered a high grade investment.

## Notes to the financial statements

For the year ended 30 June 2020

### (vi) Ageing analysis of past due loans (Bank First and Consolidated Entity)

The table below shows the ageing analysis of past due and impaired loans and is grouped according to credit risk exposure under AASB as at 30 June 2020.

	Note	Past due days			Total \$000's
		0-30 \$000's	30-90 \$000's	Over 90 days \$000's	
<b>2020</b>					
Loans secured by real estate mortgages; assessed as stage 2		-	2,319	3,025	5,344
Other loans and advances; assessed as stage 2		-	580	20	600
Loans considered individually impaired (Stage 3)	8	-	115	929	1,044
		-	<b>3,014</b>	<b>3,974</b>	<b>6,988</b>
<b>2019 (Restated)</b>					
Loans secured by real estate mortgages; assessed as stage 2		-	1,277	229	1,506
Other loans and advances; assessed as stage 2		-	847	298	1,145
Loans considered individually impaired		37	168	335	540
		<b>37</b>	<b>2,292</b>	<b>862</b>	<b>3,191</b>

### b) Market risk - Interest rate risk

Market risk is a measure of potential change in the value of a portfolio of instruments as a result of changes in the financial environment (changes in underlying market risk factors such as interest rates, equity markets, bond markets, commodity markets and exchange rates) between now and a future point in time.

As the Consolidated Entity does not participate in the bond or equities market or engage in foreign exchange transactions, it is the non-traded interest rate risk in our banking book, resulting from increases or decreases in interest rates arising from the execution of our core business strategies and the delivery of products and services to Members, which has the potential for major risk impact on the Consolidated Entity's net interest earnings and sensitivity to changes in economic value.

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows, the fair value of financial instruments, or the net interest margin.

The fundamental principles that the Consolidated Entity applies to mitigate interest rate risk are:

- maintaining a net interest margin that is adequate for the achievement of short and longer-term objectives with respect to profitability and capital accumulation;
- Board approved delegated limits, approval levels, policies and procedures;
- maintaining an Asset Liability Committee (ALCO) to review portfolio growth, economic conditions and markets, review interest rate risk metrics reports, determine pricing and advise interest rate changes to the Board;
- forecasting and scenario modelling of growth and interest rates;
- monitoring current and future interest rate yields on its loans, deposits and investments portfolio and effect on profit and equity; and
- use of hedging techniques, including through the use of interest rate swaps (derivatives).

Sensitivity to interest rate risk:

The Consolidated Entity also measures on a monthly basis the stress sensitivity of earnings to interest rate movements, utilising an Earnings at Risk (EaR) sensitivity calculation. The calculation involves the measuring of the static interest rate repricing gaps arising as a result of the varying interest rate repricing characteristics of assets, liabilities and capital, and the impact, over a 12 month period, of a 1% and 2% interest rate increase and 1% and 2% interest rate decrease on earnings arising from the static gap position. The information below shows Bank First's and Consolidated Entity's stress sensitivity to interest rates utilising EaR sensitivity (+/-1% change):

## Notes to the financial statements

### For the year ended 30 June 2020

The major classes of financial assets and liabilities that are subject to interest rate variation are loans to Members, cash with banks, investments and deposits from Members. The interest rates on the major proportion of these assets and liabilities can be adjusted in the short-term to minimise any significant impact of mis-match on interest margins.

	Interest rate movement Bank First and Consolidated Entity			
	+1% 2020	+1% 2019	-1% 2020	-1% 2019
	\$000's	\$000's	\$000's	\$000's
Post Tax Earnings at risk	3,639	3,210	(546)	(2,917)

### c) Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will encounter difficulty in meeting obligations, both in the short term and the long term associated with financial and certain other liabilities that are settled by delivering cash or another financial asset. Sources of liquidity risk include unforeseen withdrawals of demand deposits, restricted access to new funding sources with appropriate maturity and interest rate characteristics, inability to liquidate a marketable asset, and a sudden increased demand for loans.

The fundamental principles that the Consolidated Entity applies to mitigate liquidity risk are to:

- maintain a significant portfolio of readily redeemable high quality liquid investments consistent with the prudential standards issued by APRA;
- maintain a prudent balance of cash and cash equivalents to meet its operational needs;
- measure liquidity levels on a daily basis and report to management;
- manage assets with their liquidity in mind and monitor future cash flows and liquidity on a monthly basis;
- Board approved delegated limits, approval levels, policies and procedures;
- report liquidity levels and future trends to the Asset and Liability Committee and Board; and
- maintain a liquidity contingency plan, liquidity contingency facilities and a retain run plan.

The Consolidated Entity is required by APRA to maintain at least 9% of total adjusted liabilities as Minimum Liquidity Holdings (MLH). MLH includes deposits held with other Authorised Deposit Taking Institutions capable of being converted to cash within 2 business days under APRA prudential standards. The Consolidated Entity policy is to maintain at least 12% as MLH. The MLH ratio at 30 June 2020 was 16.41% (2019: 14.11%).

### Maturity profile of financial liabilities

The tables below summarise the maturity profile of Bank First and Consolidated Entity's financial liabilities at balance date based on contractual undiscounted repayment obligations. Bank First and Consolidated Entity do not expect the majority of Members to request repayment on the earliest date that Bank First and Consolidated Entity could be required to pay, and the tables do not reflect the expected cash flows indicated by Bank First and Consolidated Entity's deposit retention history.

Bank First Year ended 30 June 2020	On demand \$000's	Within 1 month \$000's	1 to 3 months \$000's	3 months to 1 year \$000's	1 to 5 years \$000's	>5 years	Total
Deposits	1,677,616	177,892	303,551	371,025	75,348	-	2,605,432
Trade and other payables	-	4,849	2,056	3,526	5,519	15,975	31,925
	<b>1,677,616</b>	<b>182,741</b>	<b>305,607</b>	<b>374,551</b>	<b>80,867</b>	<b>15,975</b>	<b>2,637,357</b>

## Notes to the financial statements

For the year ended 30 June 2020

Year ended 30 June 2019	On demand \$000's	Within 1 month \$000's	1 to 3 months \$000's	3 months to 1 year \$000's	1 to 5 years \$000's	Total \$000's
Deposits	1,530,283	146,909	290,765	406,420	74,952	2,449,329
Trade and other payables	-	5,140	2,203	3,079	568	10,990
	<b>1,530,283</b>	<b>152,049</b>	<b>292,968</b>	<b>409,499</b>	<b>75,520</b>	<b>2,460,319</b>

Consolidated Entity Year ended 30 June 2020	On demand \$000's	Within 1 month \$000's	1 to 3 months \$000's	3 months to 1 year \$000's	1 to 5 years \$000's	> 5 years \$000's	Total \$000's
Deposits	1,676,527	177,892	303,551	371,025	75,348	-	2,604,343
Trade and other payables	-	5,081	1,754	2,175	652	1,733	11,395
	<b>1,676,527</b>	<b>182,973</b>	<b>305,305</b>	<b>373,200</b>	<b>76,000</b>	<b>1,733</b>	<b>2,615,738</b>

Year ended 30 June 2019	On demand \$000's	Within 1 month \$000's	Less than 3 months \$000's	3 to 12 months \$000's	1 to 5 years \$000's	Total \$000's
Deposits	1,529,437	146,909	290,765	406,420	74,952	2,448,483
Trade and other payables	-	5,368	2,203	3,079	568	11,218
	<b>1,529,437</b>	<b>152,277</b>	<b>292,968</b>	<b>409,499</b>	<b>75,520</b>	<b>2,459,701</b>



## Notes to the financial statements

For the year ended 30 June 2020

### Maturity profile of commitments

The table below shows the contractual expiry of Bank First's and Consolidated Entity's credit commitments. The contractual expiry of Bank First's and Consolidated Entity's lease commitments is detailed in note 19(d). The Consolidated Entity does not expect all of the commitments to be drawn before the expiry of the commitments.

	Within 1 year \$000's	More than 1 year \$000's	Totals \$000's
<b>Credit Commitments</b>			
<b>2020</b>			
Approved but undrawn loans	66,249	-	66,249
Undrawn line of credit and credit card commitments	-	81,543	81,543
Loans available for redraw	1	351,742	351,743
	<b>66,250</b>	<b>433,285</b>	<b>499,535</b>
<b>2019</b>			
Approved but undrawn loans	64,162	-	64,162
Undrawn line of credit and credit card commitments	-	83,324	83,324
Loans available for redraw	6	315,506	315,512
	<b>64,168</b>	<b>398,830</b>	<b>462,998</b>

### Geographic concentration of members' deposits

	Bank First		Consolidated Entity	
	2020	2019	2020	2019
Victorian residents	93%	94%	93%	94%
Other Australian and overseas residents	7%	6%	7%	6%
	100%	100%	100%	100%

### Concentration of Financial Liability Risk

The deposit portfolio of the Company does not include any deposits or groups of deposits that represents a material concentration in terms of the source of liability.

### 23. Fair value measurement

According to AASB 13 'Fair Value Measurement', fair value is a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market at measurement date.

The best evidence of fair value is a quoted market price in an active market. Where no quoted market price for an instrument is available, the fair value is based on present value estimates or other valuation techniques based on current market conditions. These valuation techniques rely on market observable inputs wherever possible, or rely on inputs which are reasonable assumptions based on market conditions.

Under AASB 13 all financial assets and liabilities measured or disclosed at fair value are categorised into one of the following three fair value hierarchy levels:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The classification in the fair value hierarchy of Bank First and the Consolidated Entity's financial assets and liabilities measured at fair value and amortised cost.

Other than Investments and derivatives being categorised in level 2, all other financial assets and financial liabilities are categorised in level 3. The fair value of the financial assets and financial liabilities are not materially different to the carrying amount disclosed in the financial report.

## Notes to the financial statements

For the year ended 30 June 2020

### 24. Regulatory Capital

The regulatory capital requirements of Bank First comprises Victoria Teachers Limited and its APRA approved subsidiary (as an Extended Licence Entity), effectively the Consolidated Entity.

Common Equity Tier 1 (CET1) Capital comprises the highest quality components of Capital. For Bank First and Consolidated Entity Tier 1 Capital is primarily comprised of retained earnings.

Tier 2 Capital includes other components of capital that, to varying degrees, fall short of the quality of Tier 1 Capital but nonetheless contribute to the overall strength of an ADI and its capacity to absorb losses. Tier 2 Capital is primarily comprised of the reserve for credit losses.

The capital ratio can be affected by growth in assets relative to growth in retained earnings and by changes in the quality and mix of assets. The Consolidated Entity manages capital through reviewing the ratio monthly and monitoring major movements in asset levels. Further, capital projections are undertaken maintained to assess how strategic decisions or trends may impact on the level of capital.

The primary objectives of the Consolidated Entity's capital management plan are to ensure that the Consolidated Entity complies with APRA's capital requirements and that the Consolidated Entity maintains sound capital ratios in order to support its business risks and to maximise Member value.

The Consolidated Entity manages its internal capital levels for both current and future activities by conducting an Internal Capital Adequacy Assessment Process (ICAAP) and maintaining a Capital Management Plan. The plan addresses the capital requirements prescribed by APRA, the strategy for managing capital resources over time, a capital target, how the required capital requirement is to be met and actions and procedures for monitoring compliance with minimum capital adequacy requirements. The capital strategy primarily focuses on building accumulated retained earnings.

Capital adequacy is determined as a ratio of the capital base to the Consolidated Entity's risk weighted exposures. Risk weighted exposures comprises all assets and certain other credit commitments, discounted by regulatory prescribed factors as appropriate, to reflect the lower risk profile of certain assets and commitments. APRA requires all regulated entities, including the Consolidated Entity to also include an amount of capital to recognise exposure to operational risk.

	<b>Consolidated Entity</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2020</b>	<b>2019</b>
	<b>\$000's</b>	<b>\$000's</b>
The Consolidated Entity manages as capital the following:		
Comprehensive income & other Reserves	217,819	203,367
Retained Earnings, including current year	9,364	11,005
<b>Common Equity Tier 1 Capital (CET1) before regulatory adjustments</b>	<b>227,183</b>	<b>214,372</b>
Capitalised expenses and intangibles	(4,515)	(4,713)
Cash flow hedge	-	48
Equity exposures to other financial institutions	(1,330)	(1,424)
<b>Common Equity Tier 1 Capital (CET1)</b>	<b>221,338</b>	<b>208,283</b>
<b>Tier 1 Capital</b>	<b>221,338</b>	<b>208,283</b>
Total Tier 2 Capital	7,947	7,618
<b>Total Regulatory Capital</b>	<b>229,285</b>	<b>215,901</b>
<b>Risk weighted exposures</b>	<b>1,467,986</b>	<b>1,357,980</b>
<b>Capital adequacy ratio (%)</b>	<b>15.62</b>	<b>15.90</b>

During the year, Bank First and the Consolidated Entity has complied in full with all capital requirements and met its capital targets.

Full details on the disclosure required under APS 330 Public Disclosure are provided on Bank First's website.

### 25. Events after the reporting period

There are no transactions or events of a material nature likely, in the opinion of the Directors, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity, in subsequent financial years.



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## Independent Auditor's Report to the Members of Victoria Teachers Limited

### *Opinion*

We have audited the financial reports of Victoria Teachers Limited (the "Company") and its subsidiaries (the "Group") which comprise the Group and the Company's statements of financial position as at 30 June 2020, the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial reports of the Group and the Company are in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group and the Company's financial position as at 30 June 2020 and of their financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### *Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Reports* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial reports in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company (the "directors"), would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Other Information*

The directors are responsible for the other information. The other information comprises the information included in the Group and Company's annual report for the year ended 30 June 2020, but does not include the financial reports and our auditor's report thereon.

Our opinion on the financial reports does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial reports, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial reports or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



### *Responsibilities of the Directors for the Financial Reports*

The directors are responsible for the preparation of the financial reports that give a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial reports that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial reports, the directors are responsible for assessing the ability of the Group and the Company to continue as going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

### *Auditor's Responsibilities for the Audit of the Financial Reports*

Our objectives are to obtain reasonable assurance about whether the financial reports as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial reports.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial reports, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group or the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial reports or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Company to cease to continue as going concerns.
- Evaluate the overall presentation, structure and content of the financial reports, including the disclosures, and whether the financial reports represent the underlying transactions and events in a manner that achieves fair presentation.

## Deloitte.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



DELOITTE TOUCHE TOHMATSU



Lani Cockrem  
Partner  
Chartered Accountants  
Melbourne, 22 September 2020





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