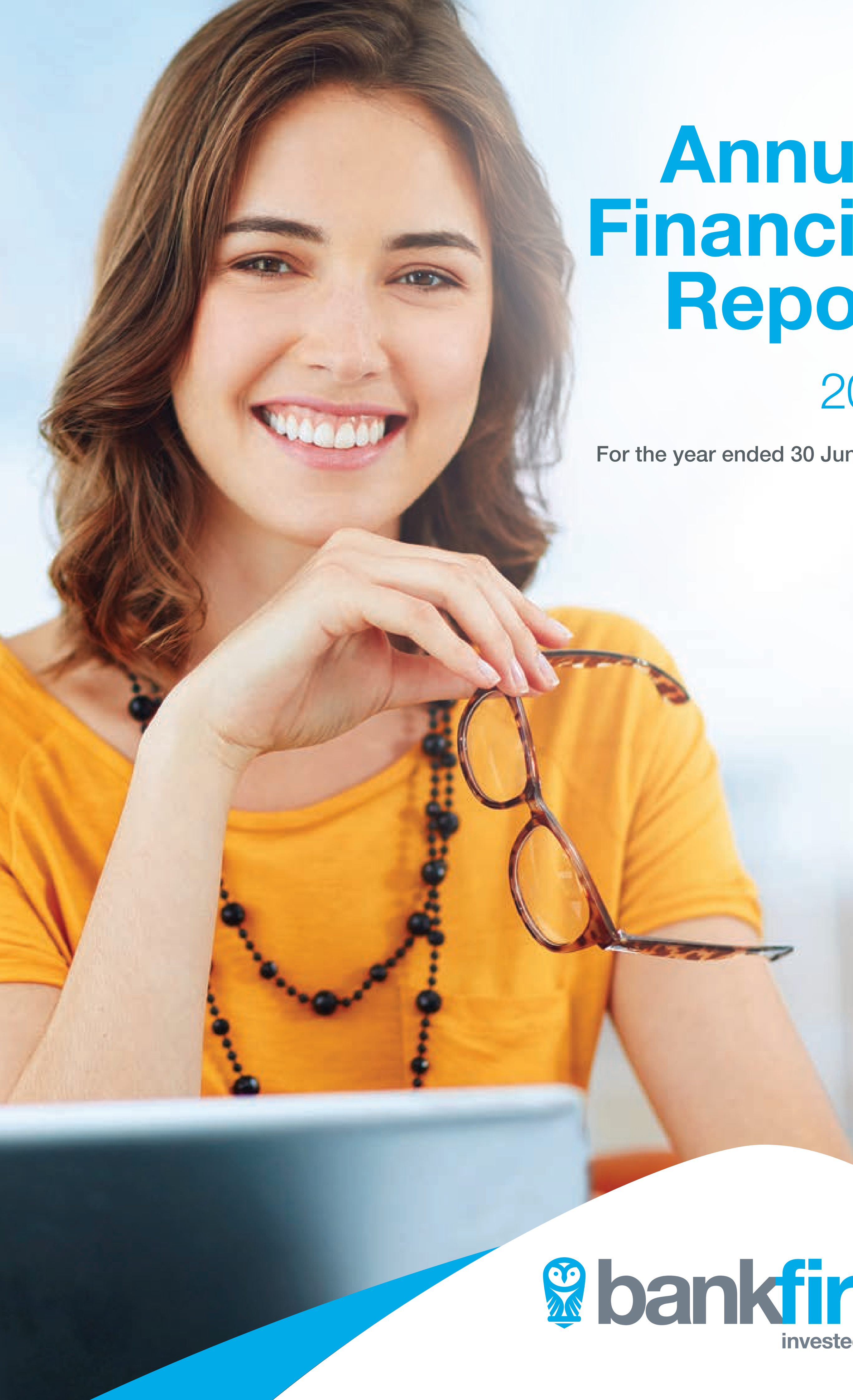


Annual Financial Report

2019

For the year ended 30 June 2019

bankfirst

invested in you

2018/19 Financial Year Snapshot

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

This entailed keeping a close eye on the external environment and our pricing strategy to ensure we offer competitive interest rates and products for all customers. This ongoing focus to help both borrowers and savers achieve their financial goals was realised with growth reflected in both loans (12.40%) and deposits (7.32%).

Growth has been steady over the past financial year, with total assets increasing by 7.21% and total equity by 7.65%. Bank First is well positioned for continued growth with a capital adequacy ratio of 15.90%. A net profit of $11m 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 the customer experience at every touch point, further enhance our customer service and continue to provide financial benefit to our customers through competitive pricing and products and services designed to meet their needs.

Loans
$2.19b
(Annual change 12.40%)

Deposits
$2.45b
(Annual change 7.32%)

Profit after income tax
$11m

Assets
$2.69b
(Annual change 7.21%)

Return on Average Assets
0.42%

Customer Base
110,137
(Annual change 1.85%)

Chair's Report

Bernie Lloyd

Your Board of Directors is very pleased to present this Annual Report detailing and highlighting a successful year. Despite a range of societal and economic challenges including the lowest interest rates on record, a volatile and sometimes faltering housing market and people losing trust in their institutions, Bank First can hold its head high.

Just recently I met a colleague I hadn't seen for years at a train station. We travelled to the city together and she happily described her commitment and loyalty to our bank due to the wonderful service she'd experienced over the past thirty years. Gratifying on many levels this conversation captured the essence of what we aim for at Bank First. We are indeed invested in our customers and we want our customers to feel invested in us.

This Annual Review outlines the details of our achievements and I encourage you to read it at your leisure. Of course, financial performance is a crucial indicator and we met and exceeded all our targets. We are pleased with our industry awards as usual especially the Canstar Innovation Excellence Award for our First Start Shared Equity Agreement.

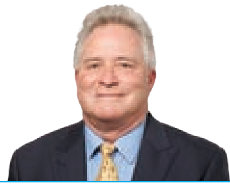
Your Board of Directors takes responsibility for the strategic direction of Bank First and, as you all know, our transformation to Bank First with its concomitant invitation to others who build community to join us as we strengthen and support wider society was not made lightly. It's relatively early days but already we are seeing pleasing results in terms of increasing membership. People want to belong to organisations who have integrity, who do what they say, who have a genuine interest in helping others.

At health industry events such as the Mercy Health Foundation Ball we could clearly see and feel the congruence between their aspirations for a healthy community where people live out their potential and ours. It all makes perfect sense that efficient and effective service providers who truly care for their communities should collaborate and partner.

The Board of Directors also has responsibility for oversight of Bank First's governance functions and structures and the Hayne Royal Commission's recommendation that banks delineate responsibility for all products and operational procedures as enshrined in the BEAR (Bank Executive Accountability Regime) has been an area of focus this year. The process has been enlightening and useful for all directors and executive managers as we have individually signed off on those aspects of the business for which we are accountable.

As you can see we Directors take our compliance responsibilities very seriously but, of course there are uplifting and inspiring experiences as well. These occur when we visit schools to distribute funds for innovative teaching projects. The schools are always welcoming, they are always grateful and they also remind us of why we exist; they exemplify our purpose – to financially empower people who build community realise their dreams.

We are also inspired by our staff who feel the same sense of pride and privilege we Directors feel in being a member of the Bank First community. To William Wolke, his Executive Management and their teams I say thank you for your dedication and energy. To my fellow Directors, I say the same.



CEO's Report

William Wolke

The past financial year has been a challenging one in financial services, however Bank First continued its strong track record of performance.

The Banking Royal Commission highlighted some of the appalling behaviour of many financial institutions and their focus on profit ahead of people. Such conduct shows the importance of treating every customer with care and respect, and highlights the need for the Customer Owned Banking Sector and financial institutions such as Bank First.

Understanding the needs and expectations of the broader community is an important part of any organisation and forms part a business's social license. As a values based organisation, we place a strong emphasis on our culture and remain dedicated to serving people who build a better community.

Economic uncertainty, low inflation and interest rates, combined with a slowing housing market have created headwinds within the financial sector. Bank First continues to be well positioned to meet such challenges, with a robust business model focused on growth.

2019 was the first year that Bank First reached out beyond its traditional bond of education to other like-minded vocations in our community, namely nurses and allied health workers. While our commitment to education remains, our research shows that the Bank First brand has been well received in both market segments and positions us well to continue to grow in the years ahead.

Financially, Bank First delivered an operating profit of $11.0m, on the back of a 7.21% increase in total assets. New customer growth was also strong and loan growth was over 3 times that of the financial system, while maintaining strong credit quality and low arrears.

Throughout the year we continued to focus on financially empowering people. Understanding that home affordability is a real issue for many Australians, we continued to develop our 'Home First' online portal to provide first home buyers with a resource to help them get into their own home sooner.

Additionally, we launched our 'First Start Shared Equity Agreement' which provides the "Bank of Mum & Dad" a secure way to contribute to the purchase of a home for their children – a product that received an innovation award from Canstar.

Work continued on our technology and digital roadmaps, with the relocation of our business continuity site and an upgrade of our core banking system, which positions us well to launch a new internet banking system and mobile app in the year ahead.

Our commitment to face to face and personal service continued with an upgrade of our telephony system and the opening of our new Moonee Ponds branch in Puckle Street.

Finally, I would like to acknowledge the support of our customers as well as the dedication and support of our staff, directors and management who all contribute to our achievements and success in the past year as well as our ongoing performance.

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2019 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

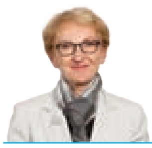
Board composition is determined in accordance with Bank First’s Constitution, regulatory requirements and the Board’s policy on Composition, Renewal and Succession.

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:

	Names	Qualifications	Position
	**Bernadette Lloyd**	BA, DipEd, MEd, Dip Financial Services (AMI), FAICD - Director since 2011	Chair, Non-Executive Director
	**Graeme Willis**	FAICD, FCIBS, SF Fin - Director since 2013	Deputy Chair, Non-Executive Director
	**Michael Monester**	LLB, B. Juris., FAICD - Director since 2010	Non-Executive Director
	**Joanne Dawson**	B.Comm, MBA, Dip FP, CA, FAICD Director since 2014	Non-Executive Director
	**Peter Wilson**	B. Comm, MA, FCPA, FAICD, FCPHR, FCIPD (UK) 2016 – 2019 Term ended May 2019	Non-Executive Director
	**Simon Terry**	B. Comm, LLB, GAICD Director since 2018	Non-Executive Director
	**Judith Crowe**	BA, Dip Ed, Dip SS, Dip Admin, Dip Psych, FACEL, GAICD Director since August 2018	Non-Executive Director
	**Karen Starr**	PhD, MEd, BEd, DipT (Sec), FAICD, FACEL, FACE, FIEDRC 2006 – 2018 Retired in August 2018	Non-Executive Director
	**Company Secretary** **Elsbeth Torelli**	FIPA, SA Fin, FAMI, AFIML, FGIA, MAICD Company Secretary until December 2018	Chief Risk Officer
	**Company Secretary** **Emily McGrath**	B.Hons Law, AGIA, AGRCI Company Secretary from December 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 Renewal and Succession

A Board Composition, Renewal and Succession 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 and succession 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 Remuneration 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 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**:

- Constitution;
- Board Charter;
- Governance Committee Charter;
- Nominations Committee Charter;
- Remuneration 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, and Judith Crowe.

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, Simon Terry and Bernadette Lloyd.

The Risk Committee's role is to assist the Board in the oversight, monitoring and review of the risk management framework including risk management policies, strategies, systems and processes. The Committee also reviews and monitors the compliance management framework covering compliance with statutory and prudential obligations.

Governance Committee

Consists of Directors: Michael Monester (Chairperson), Bernadette Lloyd and Graeme Willis.

The Governance 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.

Nominations Committee

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

The Nominations Committee is 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 Persons - Position Eligibility Policy.

Remuneration Committee

Consists of Directors: Bernadette Lloyd (Chairperson), Michael Monester, and Graeme Willis.

The Remuneration Committee assists the Board in fulfilling its obligations and responsibilities with respect to the effective management of and adherence to APRA's requirements.

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.

Corporate Governance

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 Fraud & 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.

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.

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 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 Ernst & Young. 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 & Compliance 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 2018/19

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	13	13	2	2	5	5
Graeme Willis	13	13	2	2	-	2
Karen Starr*	1	1	-	-	-	-
Michael Monester	13	13	2	2	5	5
Joanne Dawson	13	13	2	2	-	1
Peter Wilson**	12	9	1	1	5	4
Simon Terry	13	13	2	2	-	-
Judith Crowe***	12	13	2	2	-	2

	Risk Committee		Audit Committee		Remuneration Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Bernadette Lloyd	-	6	-	4	2	2
Graeme Willis	6	6	4	4	2	2
Karen Starr*	1	1	-	-	-	-
Michael Monester	-	1	-	-	2	2
Joanne Dawson	6	5	4	4	-	-
Peter Wilson**	-	1	-	-	-	-
Simon Terry	6	5	-	-	-	-
Judith Crowe***	-	1	4	3	-	-

	Strategic Planning Session	
	Eligible	Attended
Bernadette Lloyd	1	1
Graeme Willis	1	1
Karen Starr*	-	-
Michael Monester	1	1
Joanne Dawson	1	1
Peter Wilson**	1	1
Simon Terry	1	1
Judith Crowe ***	1	1

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.

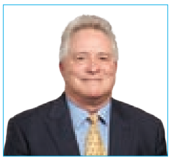
*Karen Starr ceased as Bank First Director 22 August 2018

**Peter Wilson ceased as Bank First Director 31 May 2019

***Judith Crowe commenced as Bank First Director 22 August 2018

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.

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

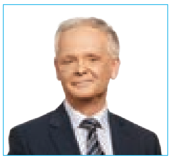
Adam Alsbury joined Bank First in 2000 and has experience in marketing, business development, digital and business strategy in the software and financial services industries. He has over 20 years of service in emergency and community services in both a volunteer and professional capacity and is currently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

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 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.

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.



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.

Elsbeth Torelli FIPA, SA Fin, FAMI, AFIML, 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 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 the industry body representing the Australian mutual banking sector, and is on the Board of Traditional Credit Union Ltd.

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 29 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.

Directors' report

Your Directors submit their report for the year ended 30 June 2019.

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 $10.918m (2018: $11.737m). The consolidated net profit after related income tax expense for the Consolidated Entity was $11.004m (2018: $11.913m).

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 246 employees as at 30 June 2019 (2018: 231).

Auditor independence and Audit Services

The Directors received the declaration from the Auditors of Bank First and this is presented on page 10 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, Ernst & Young, 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 Ernst & Young 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.

BRLloyd

Bernadette Lloyd
Chair
Melbourne
24 September 2019

Building a better working world

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Auditor's Independence Declaration to the Directors of Victoria Teachers Limited

As lead auditor for the audit of the financial report of Victoria Teachers Limited for the financial year ended 30 June 2019, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Victoria Teachers Limited and the entities it controlled during the financial year.

Ernst + Young

Ernst & Young

Brett Kallio

Brett Kallio
Partner
Melbourne

24 September 2019

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 2019 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. 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
24 September 2019

Statement of comprehensive income

For the year ended 30 June 2019

		Bank First		Consolidated Entity	
	Notes	30 June 2019 $000's	30 June 2018 $000's	30 June 2019 $000's	30 June 2018 $000's
Interest income	3(a)	97,792	93,624	96,441	92,189
Interest expense	3(b)	42,440	40,688	42,412	40,651
Net interest income		**55,352**	**52,936**	**54,029**	**51,538**
Other operating income	3(c)	10,526	11,086	11,372	11,908
Net operating income before expenses		**65,878**	**64,022**	**65,401**	**63,446**
Less					
Salaries and related expenses		25,878	25,479	25,878	25,479
Member access and statement expenses		6,494	6,168	6,494	6,168
Administration expenses		3,643	3,500	3,645	3,557
Depreciation and amortisation		2,180	2,017	3,177	3,039
Information technology costs		5,224	4,172	5,224	4,172
Occupancy expenses		3,168	2,989	1,570	1,082
Marketing expenses		3,050	2,693	3,050	2,693
Charge for loan impairment	8(e)	841	242	841	242
Total operating expenses		**50,478**	**47,260**	**49,879**	**46,432**
Profit for the year before income tax		**15,400**	**16,762**	**15,522**	**17,014**
Income tax expense	4	4,482	5,025	4,518	5,101
Net profit for the year		**10,918**	**11,737**	**11,004**	**11,913**
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Net gains/(losses) on cash flow hedges taken to equity	15	55	265	55	265
Total other comprehensive income		**55**	**265**	**55**	**265**
Total comprehensive income for the year		**10,973**	**12,002**	**11,059**	**12,178**

The prior period operating expenses have been restated to provide a like-for-like comparison with current year operating expense categories.

Statement of financial position

As at 30 June 2019

		Bank First		Consolidated Entity	
	Notes	30 June 2019 $000's	30 June 2018 $000's	30 June 2019 $000's	30 June 2018 $000's
Assets					
Financial assets:					
Cash and cash equivalents	5	113,051	40,990	113,051	40,990
Trade receivables	6	1,925	2,896	2,084	2,972
Investments	7	333,949	467,508	333,949	467,508
Loans and advances	8	2,191,636	1,950,001	2,191,636	1,950,001
Due from controlled entities	9	25,637	28,240	-	-
Property, plant and equipment	11	4,561	2,262	42,586	35,034
Deferred tax assets	12	2,917	2,796	2,961	2,796
Other assets	10	7,356	13,308	3,928	9,872
Total Assets		**2,681,032**	**2,508,001**	**2,690,195**	**2,509,173**
Liabilities					
Financial liabilities:					
Deposits	13	2,449,329	2,284,026	2,448,483	2,281,609
Trade and other payables	14	10,990	14,036	11,218	14,100
Derivative financial instruments	15	76	156	76	156
Income tax payable		608	1,897	669	1,936
Provisions	16	5,355	4,785	5,355	4,785
Deferred tax liabilities	12	290	83	2,962	898
Total Liabilities		**2,466,648**	**2,304,983**	**2,468,763**	**2,303,484**
Net Assets		**214,384**	**203,018**	**221,432**	**205,689**
Equity					
Reserves		214,384	203,018	221,432	205,689
Total Equity		**214,384**	**203,018**	**221,432**	**205,689**

Statement of cash flows

For the year ended 30 June 2019

	Note	Bank First		Consolidated Entity	
		30 June 2019 $000's	30 June 2018 $000's	30 June 2019 $000's	30 June 2018 $000's
Cash flows from operating activities					
Inflows					
Interest received		98,848	93,184	97,509	91,737
Dividends received		35	-	35	-
Bad debts recovered		32	9	32	9
Other operating income		11,638	11,845	12,713	13,002
Total inflows		**110,553**	**105,038**	**110,289**	**104,748**
Outflows					
Interest paid		(42,228)	(40,446)	(42,200)	(40,409)
Salaries and related expenses		(25,308)	(25,462)	(25,385)	(25,462)
Other payments in the course of operations		(23,741)	(19,405)	(22,310)	(17,803)
Income taxes paid		(5,854)	(4,427)	(5,684)	(4,474)
Total outflows		**(97,131)**	**(89,740)**	**(95,579)**	**(88,148)**
Net cash flows provided by operating activities	**18**	**13,422**	**15,298**	**14,710**	**16,600**
Cash flows from investing activities					
Net increase in loans		(243,066)	(98,353)	(243,065)	(98,353)
Net movement in investments		133,558	(96,560)	133,558	(96,560)
Payments for property, plant and equipment		(3,304)	(1,382)	(3,657)	(1,521)
Proceeds from sale of property, plant and equipment		6,705	298	6,705	298
Net decrease/(increase) in loans due from controlled entities		2,603	964	-	-
Payments for intangible assets		(956)	(1,736)	(860)	(1,736)
Net cash flows used in investing activities		**(104,460)**	**(196,769)**	**(107,319)**	**(197,872)**
Cash flows from financing activities					
Net increase in deposits		163,099	177,274	164,670	177,075
Repayment of subordinated debt		-	(2,000)	-	(2,000)
Net cash flows from financing activities		**163,099**	**175,274**	**164,670**	**175,075**
Net increase/(decrease) in cash and cash equivalents		72,061	(6,197)	72,061	(6,197)
Cash and cash equivalents at the beginning of the period		40,990	47,187	40,990	47,187
Cash and cash equivalents at the end of the period	**5**	**113,051**	**40,990**	**113,051**	**40,990**

Statement of changes in equity

For the year ended 30 June 2019

Bank First	General reserve	Asset revaluation reserve	Reserve for credit losses	Cash flow hedge reserve	Total
	$000's	$000's	$000's	$000's	$000's
As at 1 July 2017	**179,169**	**5,352**	**6,863**	**(368)**	**191,016**
Profit for the period	11,737	-	-	-	11,737
Other comprehensive income	-	-	-	265	265
	11,737	-	-	265	12,002
Total comprehensive income	**11,737**	**-**	**-**	**265**	**12,002**
Transfer to reserve for credit losses	(301)	-	301	-	-
At 30 June 2018	**190,605**	**5,352**	**7,164**	**(103)**	**203,018**
As at 1 July 2018	**190,605**	**5,352**	**7,164**	**(103)**	**203,018**
Impact of adopting AASB 9 & AASB 15	393	-	-	-	393
Restated opening balance as at 1 July 2018	**190,998**	**5,352**	**7,164**	**(103)**	**203,411**
Profit for the period	10,918	-	-	-	10,918
Other comprehensive income	-	-	-	55	55
Total comprehensive income	**10,918**	**-**	**-**	**55**	**10,973**
Transfer to reserve for credit losses	104	-	(104)	-	-
Asset Revaluation	5,265	(5,265)	-	-	-
At 30 June 2019	**207,285**	**87**	**7,060**	**(48)**	**214,384**

Consolidated Entity	General reserve	Asset revaluation reserve	Reserve for credit losses	Cash flow hedge reserve	Total
As at 1 July 2017	**181,664**	**5,352**	**6,863**	**(368)**	**193,511**
Profit for the period	11,913	-	-	-	11,913
Other comprehensive income	-	-	-	265	265
Total comprehensive income	**11,913**	**-**	**-**	**265**	**12,178**
Transfer to reserve for credit losses	(301)	-	301	-	-
At 30 June 2018	**193,276**	**5,352**	**7,164**	**(103)**	**205,689**
As at 1 July 2018	**193,276**	**5,352**	**7,164**	**(103)**	**205,689**
Impact of adopting AASB 9 & AASB 15	393	-	-	-	393
Rounding Adjustment	2	-	-	-	2
Restated Opening Balance as at 1 July 2018	**193,671**	**5,352**	**7,164**	**(103)**	**206,084**
Profit for the period	11,004	-	-	-	11,004
Other comprehensive income	-	-	-	55	55
Total comprehensive income	**11,004**	**-**	**-**	**55**	**11,059**
Transfer to reserve for credit losses	104	-	(104)	-	-
Transfer to general reserve	5,265	(5,265)	-	-	-
Asset Revaluation	-	4,289	-	-	4,289
At 30 June 2019	**210,044**	**4,376**	**7,060**	**(48)**	**221,432**

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 2019

Contents of the notes to the financial statements

Notes to the financial statements

For the year ended 30 June 2019

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 historical cost basis, except for land and buildings and derivatives, 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 2019, 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):

AASB 16 "Leases" replaces AASB 117 "Leases" and is operative for financial reporting periods beginning on or after 1 January 2019. It has made significant changes to lease accounting that will see all leases, except short term (<12 months) and low value, brought on balance sheet. The estimated impact of adopting AASB 16 on 1 July 2019 will be the addition of a "right-of-use asset" and "lease liability" of $1.8m in the consolidated and Bank First statement of financial position. In addition, Bank First will need to recognise a "right-of-use asset" of $17m and "lease liability" of $21m in relation to lease from subsidiary company. The difference between the "right-to-use asset" and "lease liability" will be booked as an adjustment to the opening balance of the retained earnings on 1 July 2019 ($2.6m net of tax). This will not impact the consolidated entity.

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. 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.

Notes to the financial statements

For the year ended 30 June 2019

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(j) - Provision for Impairment of loans and advances.

e. 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:

In December 2014, the AASB issued AASB 15 Revenue from Contracts with Customers which replaces all existing revenue requirements and related interpretations and is effective for annual periods beginning on 1 January 2018. AASB 15 redefined the principles for recognising revenue and is applicable to all contracts with customers other than contracts in the scope of other standards

Under AASB 15, 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. Please refer to Note 2(b) for more details.

f. Leases

Operating lease payments are recognised as an expense on a basis which reflects the pattern in which economic benefits from the leased assets are consumed.

g. 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 Financial Performance 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.

h. 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.

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

Notes to the financial statements

For the year ended 30 June 2019

i. 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.

For classification and measurement changes under the new accounting standard AASB 9, please refer to Note 2(a).

The impact of AASB 9 on the Group's classification and measurement will be as follows:

- Loans are classified at amortised cost as disclosed in Note 7: 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 Investment are now measured at fair value through other comprehensive income (FVOCI) as disclosed under Note 2(k).
- All other financial assets and liabilities are measured on the same basis as is currently adopted under AASB139.

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.

j. 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.

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

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.

Notes to the financial statements

For the year ended 30 June 2019

k. Other investments

Unlike AASB 139 which allows an entity to measure investments in equity instruments at cost if those instrument do not have a quoted price in an active market and their fair value cannot be reliably measured, AASB 9 contains no such exception and investments in equity instruments (other than those in subsidiaries, associates or joint ventures) need to be measured at fair value in accordance with AASB 13 Fair Value Measurement. On the reporting date, the investments in controlled entities are measured at cost less any allowance for impairment.

Investment in equity instruments that are neither held for trading nor contingent consideration recognised by the Consolidated Entity in a business combination to which AASB 3 Business combination applies, 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.

l. Property, plant and equipment

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.

Property, plant and equipment held for sale

Property, plant and equipment are not depreciated once classified as held for sale and presented separately in the statement of financial position. Such assets that are classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

m. 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 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.

Notes to the financial statements

For the year ended 30 June 2019

n. 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.

o. 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.

p. 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.

q. 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.

Notes to the financial statements

For the year ended 30 June 2019

2. New and amended standards and interpretations

In these financial statements, Bank First has applied, for the first time, AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers effective for annual periods beginning on or after 1 July 2018. The nature and effect of the changes as a result of the adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018, 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.

(a) AASB 9 Financial Instruments

AASB 9 replaces AASB 139 for annual periods on or after 1 July 2018. Bank First has not restated comparative information for 30 June 2018 for financial instruments in the scope of AASB 9. Therefore, the comparative information for 2018 is reported under AASB 139 and is not comparable with the information presented for 30 June 2019. Differences arising from the adoption of AASB 9 have been recognised directly in retained earnings as of 1 July 2018 and are disclosed in section (b) below.

(i) Classification and measurement

To determine their classification and measurement category, AASB 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The AASB 139 measurement categories of financial asset (fair value through profit or loss (FVPL), available for sale (AFS), held-to-maturity and amortised cost) have been replaced by:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition
- Equity instruments at FVOCI, with no recycling of gains or losses in profit or loss on derecognition
- Financial assets at FVPL

The accounting for financial liabilities remains largely the same as it was under AASB 139, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements are presented in other comprehensive income with no subsequent reclassification to the income statement.

Notes to the financial statements

For the year ended 30 June 2019

2. New and amended standards and interpretations (continued)

The following table explains the original measurement categories under AASB 139 and the new measurement categories under AASB 9 for Bank First's financial assets and financial liabilities as at 1 July 2018, as well as the impact of classification and measurement changes.

Bank First	Original classification under AASB 139	New classification under AASB 9	AASB 139 Carrying Amount at 30 June 2018	Remea-surement	AASB 9 Carrying Amount at 1 July 2018
Financial Assets			$000's		$000's
Cash and cash equivalents	Amortised cost	Amortised cost	40,990		40,990
Trade receivables	Amortised cost	Amortised cost	2,972		2,972
Debt investment securities	Held to maturity	Amortised cost	467,508		467,508
Equity investment	Available for sale	FVOCI	686	737	1,423
Loans and advances	Amortised cost	Amortised cost	1,950,001	(431)	1,949,570
Due from controlled entities	Amortised cost	Amortised cost	28,240		28,240
Total Financial Assets			**2,490,397**	**306**	**2,490,703**
Financial Liabilities					
Deposits	Amortised cost	Amortised cost	2,281,609		2,281,609
Trade and other payables	Amortised cost	Amortised cost	14,100		14,100
Derivative financial instruments	Fair value	FVOCI	156		156
Total Financial Liabilities			**2,295,865**	-	**2,295,865**

The following table explains the original measurement categories under AASB 139 and the new measurement categories under AASB 9 for the Group's financial assets and financial liabilities as at 1 July 2018, as well as the impact of classification and measurement changes.

Consolidated	Original classification under AASB 139	New classification under AASB 9	AASB 139 Carrying Amount at 30 June 2018	Remea-surement	AASB 9 Carrying Amount at 1 July 2018
Financial Assets			$000's		$000's
Cash and cash equivalents	Amortised cost	Amortised cost	40,990		40,990
Trade receivables	Amortised cost	Amortised cost	2,972		2,972
Debt investment securities	Held to maturity	Amortised cost	467,508		467,508
Equity investment	Available for sale	FVOCI	686	737	1,423
Loans and advances	Amortised cost	Amortised cost	1,950,001	(431)	1,949,570
Total Financial Assets			**2,462,157**	**306**	**2,462,463**
Financial Liabilities					
Deposits	Amortised cost	Amortised cost	2,281,609		2,281,609
Trade and other payables	Amortised cost	Amortised cost	14,100		14,100
Derivative financial instruments	Fair value	FVOCI	156		156
Total Financial Liabilities			**43,962**	**-**	**43,962**

The Bank's classification of its financial assets and liabilities is largely unchanged with Investments (Debt Securities), Loans and Deposits continuing to be measured at amortised cost. The one category to change is Equity Investment Securities (held in Other Assets) which will be measured at fair value through other comprehensive income (FVOCI). The change in measurement of Equity Investment Securities as at 1 July 2018 resulted in an increase in value of the asset of $0.738m. The quantitative impact of applying AASB 9 as at 1 July 2018 is disclosed in Note 2(c).

(ii) Impairment

From 1 July 2018, the impairment requirement under AASB 9 will be applied when assessing the expected credit loss (ECL) on a forward-looking basis for financial assets measured at amortised cost. Under this requirement, losses are to be recognised much earlier, i.e. based on the "Expected Credit Loss" model rather than the "Incurred Loss" model (under AASB 139). This is achieved by determining whether the credit risk, i.e. risk of default, on a financial instrument has increased significantly since initial recognition, i.e. accounts transitioning from low risk (stage 1) to high risk (stage 2 or 3). Additionally, it will require considerable judgement over how changes in macro-economic conditions affect ECL estimation.

Expected credit loss allowance for the three stages are:

- Stage 1 - 12-month expected credit loss
- Stage 2 - Lifetime expected credit loss (non-impaired loans)
- Stage 3 - Lifetime expected credit loss (impaired loans)

The change in provisioning based on expected credit losses as at 1 July 2018 resulted in an increase in provision for impairment on loans by $0.431m.

(iii) Hedge accounting

Bank First elected, as a policy choice permitted under AASB 9 to continue apply hedge accounting in accordance with AASB 139. In the future years, AASB 9 will be applied to new hedges.

(b) AASB 15 Revenue from Contracts with Customers

The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition.

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligation in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under AASB 15, an entity recognises revenue 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. Far more prescriptive guidance has been added in AASB 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by AASB 15.

A significant proportion of the Group's revenue is outside the scope of AASB 15, including interest and fee income integral to financial instruments which is in the scope of AASB 9, however, certain revenue streams such as commissions, services fees, interchange fees and some others are within the scope of the standard.

Bank First did not restate the prior period comparative figures due to the minor impact from adopting the new standard from 1 July 2018. An adjustment was recognised in opening balance of retained earnings to reflect the application of the new requirements as at the date of transition.

In assessing the various revenue streams it was identified that trail commissions from financial planning advice do not include significant ongoing performance obligations. These fees are currently recognised upon receipt based on various contracts and underlying balance of funds under management. Due to the nature of this commission calculation and the factors impacting future returns, Bank First is unable to reliably forecast the future variable returns with a high probability, as such we will continue to recognise such revenue upon receipt of commission.

The change in recognition of sign-on bonuses from deferred over life of contract to upfront where no ongoing performance obligations existed as at 1 July 2018 resulted in an increase to retained earnings as at 1 July 2018 of $0.256m, less the related tax impact. The quantitative impact of applying AASB 15 as at 1 July 2018 is disclosed in Note 2(c).

(c) Impact of changes in AASB 9 and AASB 15

The impact of transition to AASB 9 and AASB 15 on opening reserves as at 1 July 2018 is as follows:

	Bank First General Reserves	Consolidated Entity General Reserves
	$000's	**$000's**
Closing balance (30 June 2018)	190,605	193,276
Recognition of AASB 9 Expected Credit loss	(431)	(431)
Investment securities (Equities) from available-for-sale to FVOCI	737	737
AASB 15 Recognition of upfront Commission Income	256	256
Related tax impact	(169)	(169)
Opening Balance (1 July 2018)	**190,998**	**193,669**

Notes to the financial statements

For the year ended 30 June 2019

3. Selected income and expenses

a) Interest Income

	Bank First		Consolidated Entity	
	30 June 2019 $000's	30 June 2018 $000's	30 June 2019 $000's	30 June 2018 $000's
Interest income				
Loans secured by real estate mortgages	77,590	74,344	77,590	74,344
Investments	12,805	11,444	12,805	11,444
Government guaranteed loans	6	11	6	11
Other loans and advances	6,040	6,390	6,040	6,390
Due from controlled entities	1,351	1,435	-	-
Total interest income	97,792	93,624	96,441	92,189

b) Interest expense

Interest expense				
Due to controlled entities	28	37	-	-
Subordinated debt	-	76	-	76
Short-term borrowings	7	1	7	1
Other persons	42,405	40,574	42,405	40,574
	42,440	40,688	42,412	40,651
Net interest income	55,352	52,936	54,029	51,538

c) Other Operating Income

Other Operating Income				
Fees	2,521	2,687	2,521	2,687
Commissions	7,429	7,513	7,429	7,513
Other revenue from contracts with customers	415	735	389	710
Total Revenue from contracts with customers	10,365	10,935	10,339	10,910
Other	161	151	1,033	998
Total other operating income	10,526	11,086	11,372	11,908

4. Income tax expense

The major components of income tax expense are:

On net profit for the period:				
Current income tax charge	4,753	6,453	4,813	6,492
Adjustments for income tax expense of previous years	(128)	3	(128)	3
Deferred tax relating to origination and reversal of temporary differences	(143)	(1,431)	(167)	(1,394)
Income tax expense reported in the statement of comprehensive income	**4,482**	**5,025**	**4,518**	**5,101**

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

The balance of franking credits for Bank First as at 30 June 2019 was $81m (2018: $77m).

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 2019

	Bank First		Consolidated Entity	
	30 June 2019 $000's	30 June 2018 $000's	30 June 2019 $000's	30 June 2018 $000's
Profit for the period before income tax	**15,381**	**16,762**	**15,503**	**17,014**
Income tax expense at the Consolidated Entity's statutory income tax rate of 30% (2018: 30%)	4,614	5,028	4,651	5,104
Tax on expenses not allowable as tax deductions	11	10	11	10
Tax offsets and other items	(15)	(16)	(15)	(16)
Adjustments for income tax of previous years	(128)	3	(128)	3
Income tax expense reported in the statement of comprehensive income	**4,482**	**5,025**	**4,518**	**5,101**

5. Cash and cash equivalents

Cash at bank and on hand	48,051	29,990	48,051	29,990
Deposits at call	65,000	11,000	65,000	11,000
	113,051	**40,990**	**113,051**	**40,990**

6. Trade and other receivables

Interest receivable on investments	1,777	2,845	1,777	2,845
Other receivables	148	51	307	127
	1,925	**2,896**	**2,084**	**2,972**

Other receivables are recognised as amounts owed to the Consolidated Entity for services provided, unpresented 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	296,753	381,591	296,753	381,591
Investments with ADIs				
- Indue Ltd	7,217	7,217	7,217	7,217
- Credit unions and building societies	29,979	78,700	29,979	78,700
	333,949	**467,508**	**333,949**	**467,508**
Maturity analysis				
No longer than 3 months	56,067	119,158	56,067	119,158
Longer than 3 months and less than 12 months	114,171	215,276	114,171	215,276
Longer than 1 year and less than 5 years	163,711	133,074	163,711	133,074
	333,949	**467,508**	**333,949**	**467,508**

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	2,109,282	1,870,450	2,109,282	1,870,450
Government guaranteed school loans	136	278	136	278
Other loans and advances	80,892	78,001	80,892	78,001
Capitalised origination costs	2,694	1,639	2,694	1,639
	2,193,004	**1,950,368**	**2,193,004**	**1,950,368**
Provision for impairment	(1,368)	(367)	(1,368)	(367)
Net loans and advances	**2,191,636**	**1,950,001**	**2,191,636**	**1,950,001**

The prior year balances by class have been restated to be comparable with the current year classifications.

As at 30 June 2019 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 2019

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 2019.

	Bank First and Consolidated Entity			
	Stage 1 $000's	Stage 2 $000's	Stage 3 $000's	2019 Total $000's
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
Total	2,179,214	13,250	540	2,193,004
Provision for impairment	(557)	(605)	(206)	(1,368)
Net loans and advances	**2,178,657**	**12,645**	**334**	**2,191,636**

c) Movement in provision for impairment

	Bank First and Consolidated Entity			
	Stage 1 12 Months ECL Collective Provision $000's	Stage 2 Lifetime ECL not credit impaired Collective Provision $000's	Stage 3 Lifetime ECL Credit Impaired Specific Provision $000's	Total $000's
Balance at 1 July 2017	-	96	222	318
New and increased provisions	-	(55)	306	251
Write offs from specific provisions	-	-	(202)	(202)
Balance at 30 June 2018	-	(41)	(326)	(367)
Restatement on application of AASB 9	231	200	-	431
Balance at 1 July 2018	231	241	326	798
New and increased provisions	326	364	173	863
Write offs from specific provisions	-	-	(293)	(293)
Balance at 30 June 2019	557	605	206	1,368

d) Provision for impairment

	Bank First		Consolidated Entity	
	30 June 2019 $000's	30 June 2018 $000's	30 June 2019 $000's	30 June 2018 $000's
Individual balances identified as impaired	540	1,279	540	1,279
Individual impairment on the above	206	326	206	326
Collective impairment	1,162	41	1,162	41
	1,368	**367**	**1,368**	**367**

Notes to the financial statements

For the year ended 30 June 2019

e) Charge to profit or loss for impairment

	Bank First		Consolidated Entity	
	30 June 2019	30 June 2018 Restated	30 June 2019	30 June 2018 Restated
	$000's	$000's	$000's	$000's
Additional provisions	863	251	863	251
Recoveries	(22)	(9)	(22)	(9)
	841	**242**	**841**	**242**

The prior period movement in FY18 has been restated to exclude non-credit related bad debt write offs.

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.

10. Other assets

	Bank First		Consolidated Entity	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	$000's	$000's	$000's	$000's
Prepayments	369	272	490	345
Intangibles	2,014	2,489	2,014	2,489
Other investments	4,973	4,195	1,424	686
Assets held for sale	-	6,352	-	6,352
	7,356	13,308	3,928	9,872

Other Investment (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 $408 per share is based on the internal valuation provided by Indue Ltd.

Intangibles are predominantly made up of computer software.

At 30 June 2018, the Moonee Ponds property was classified as held for sale at $6.352m. The valuation is based on an agreed sale price (less cost to sell). The revaluation gain is recognised in the Asset Revaluation Reserve. The Moonee Ponds property sale was settled on 3 August 2018.

11. Property, plant and equipment

	Bank First		Consolidated Entity	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	$000's	$000's	$000's	$000's
Cost or fair value	10,232	7,447	50,114	42,708
Accumulated depreciation	(5,671)	(5,185)	(7,528)	(7,674)
Net carrying amount	**4,561**	**2,262**	**42,586**	**35,034**
Land and buildings	-	-	36,931	31,590
Office equipment	1,789	850	1,834	907
Furniture and fittings	262	194	1,311	1,319
Motor vehicles	1,077	1,073	1,077	1,073
Leasehold improvements	1,433	145	1,433	145
Net carrying amount	**4,561**	**2,262**	**42,586**	**35,034**

Notes to the financial statements

For the year ended 30 June 2019

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 2019 $000's	**30 June 2018 $000's**	**30 June 2019 $000's**	**30 June 2018 $000's**
Land and buildings				
Opening net book amount	-	-	31,590	32,372
Revaluation	-	2,741	6,127	-
Depreciation	-	-	(786)	(782)
Closing net book amount	**-**	**-**	**36,931**	**31,590**

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

Land and buildings at cost	**-**	**-**	**27,928**	**28,819**

Fair value hierarchy

Land and Buildings at fair value fall under the Level 3 category of the fair value hierarchy as defined in Note 23.

Valuation techniques used to derive Level 3 fair values

The Consolidated Entity engaged qualified valuers from Jones Lang LaSalle, to determine the fair value of its land and buildings. The effective date of the last revaluation was 30 April 2019.

The valuation technique used to derive the Level 3 fair value of Land and Building is the capitalisation of market rental 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.

Valuation inputs

The fair value of properties has been determined using the discounted cash flow approach. The following primary inputs have been used:

	Consolidated Entity	
	2019	**2018**
Capitalisation rate (%)	6.00	6.50
Terminal rate (%)	6.50	7.00
Discount rate (%)	7.00	7.75

Sensitivity to significant changes in unobservable inputs within Level 3 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 $37m as at 30 April 2019. The gross carrying value and written down value of the property were both $30.87m after eliminating the accumulated depreciation against gross carrying value. The $6.13m (2018: Nil) increase was fully booked to asset revaluation reserve.

Notes to the financial statements

For the year ended 30 June 2019

12. Deferred tax assets and liabilities

The balance comprises temporary differences attributable to:

	Bank First		Consolidated Entity	
	30 June 2019 $000's	30 June 2018 $000's	30 June 2019 $000's	30 June 2018 $000's
Deferred tax assets				
Accruals not currently deductible	820	901	863	901
Provisions for impairment on loans	412	122	412	122
Provisions and accruals for staff entitlements	1,664	1,729	1,664	1,729
Cash flow hedge reserve	21	44	21	44
Total deferred tax assets	**2,917**	**2,796**	**2,960**	**2,796**
Deferred tax liabilities				
Deferred loan fee expenses	2	8	2	8
Revaluation of investments	221	-	221	-
Depreciation of Property Plant and Equipment	67	75	2,738	890
Total deferred tax liabilities	**290**	**83**	**2,961**	**898**

13. Deposits

Term deposits	1,007,209	953,416	1,007,209	953,416
Deposits on call	1,441,365	1,329,828	1,440,519	1,327,411
Withdrawable member shares	755	782	755	782
	2,449,329	**2,284,026**	**2,448,483**	**2,281,609**

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

14. Trade and other payables

Creditors and accruals	3,885	4,964	4,113	5,028
Settlement accounts	142	2,346	142	2,346
Accrued deposit interest	6,963	6,726	6,963	6,726
	10,990	**14,036**	**11,218**	**14,100**

15. Derivative financial instruments

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

At 30 June 2019, the Consolidated Entity had interest rate swap agreements in place with a notional amount of $8m (2018: $18.5m). 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 2019		30 June 2018	
	Assets $000's	Liabilities $000's	Assets $000's	Liabilities $000's
Bank First and Consolidated Entity				
Derivatives used as cash flow hedges				
Interest rate swaps	-	76	-	156

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 2019

	Bank First and Consolidated Entity	
	30 June 2019 $000's	30 June 2018 $000's
The net movement on derivatives during the year was as follows:		
Charged to comprehensive income	55	265
	55	**265**

At 30 June 2019, the notional principal amounts and period of expiry of the interest rate swap contracts are as follows:

	Bank First and Consolidated Entity	
	30 June 2019 $000's	30 June 2018 $000's
0 - 1 year	8,000	10,500
1 - 2 years	-	8,000
	8,000	**18,500**

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. Employee provisions

	Bank First		Consolidated Entity	
	30 June 2019 $000's	30 June 2018 $000's	30 June 2019 $000's	30 June 2018 $000's
Provisions - Long Service Leave	3,825	3,326	3,825	3,326
Provisions - Annual leave	1,530	1,459	1,530	1,459
	5,355	**4,785**	**5,355**	**4,785**

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.

Notes to the financial statements

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18. Statement of cash flows

	Bank First		Consolidated Entity	
	30 June 2019 $000's	30 June 2018 $000's	30 June 2019 $000's	30 June 2018 $000's
Cash flows from operating activities:				
Net profit	10,920	11,737	11,006	11,913
Adjustments for:				
Net loss/(gain) on sale of non-current assets	(96)	(51)	(94)	5
Provisions for loan impairment	999	376	999	376
Depreciation/amortisation	2,180	2,017	3,177	3,039
Changes in assets and liabilities:				
(Increase)/decrease in accrued receivables	15	-	(80)	10
(Increase)/decrease in accrued interest	1,056	(440)	1,068	(452)
(Increase)/decrease in other investments	(39)	(47)	-	-
(Increase)/decrease in other assets	(100)	(54)	(146)	(57)
(Increase)/decrease in deferred tax asset	8	(245)	(36)	(240)
Increase/(decrease) in trade creditors	(923)	858	(759)	835
Increase/(decrease) in interest payable	212	242	212	242
Increase/(decrease) in provisions	570	62	493	62
Increase/(decrease) in income taxes payable	(1,366)	2,022	(1,267)	2,015
Increase/(decrease) in deferred tax liabilities	(14)	(1,179)	137	(1,148)
Net Cash from operating activities	**13,422**	**15,298**	**14,710**	**16,600**

19. Commitments and contingencies

a) Contingent liabilities

There are no contingent liabilities at 30 June 2019 (2018: 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	64,162	43,925	64,162	43,925
Loans available for redraw	315,512	309,417	315,512	309,417
	379,674	353,342	379,674	353,342
Revocable:				
Undrawn line of credit and credit card commitments	83,324	84,330	83,324	84,330
	83,324	84,330	83,324	84,330
	462,998	**437,672**	**462,998**	**437,672**

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 2019

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). 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 2019	**30 June 2018 Restated**	**30 June 2019**	**30 June 2018**
	$000's	**$000's**	**$000's**	**$000's**
Within 1 year	2,894	2,540	412	140
1 to 5 years	7,607	8,888	1,017	466
Over 5 years	2,035	-	2,035	-
	12,536	**11,428**	**3,464**	**606**

Restated to reflect correctly lease expenditure commitments for Bank First in 30 June 2018.

e) Lease income receivables

The Consolidated Entity leases out part of one property under non-cancellable operating leases expiring June 2020.

Future minimum rental receivables are as follows:

Within 1 year	-	-	886	864
1 to 5 years	-	-	-	886
	-	**-**	**886**	**1,750**

20. Auditor's remuneration

Amounts paid or payable to Ernst & Young for*:

Audit fees and audit related fees				
Fees for audit of the complete set of financial statements	170	168	170	168
Securitisation reviews	-	15	-	15
Total audit and audit related fees	170	183	170	183
All other fees				
Tax related services	42	28	42	28
Other services	100	102	100	102
	142	130	142	130
	312	**313**	**312**	**313**

Audit related and other services

Bank First engaged Ernst & Young during the financial year ending 30 June 2019 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 2019

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
P. Wilson (Term ended May 2019)
K Starr (Retired Aug 2018)
G. Willis
S. Terry
M. Monester

(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 2019 $000's	**30 June 2018 $000's**	**30 June 2019 $000's**	**30 June 2018 $000's**
Short-term employee benefits - salaries	3,212	3,143	3,212	3,143
Post-employment benefits - superannuation contributions	203	206	203	206
Other long-term benefits - long service leave	105	110	105	110
Total	**3,520**	**3,459**	**3,520**	**3,459**

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	556	506	556	506

Notes to the financial statements

For the year ended 30 June 2019

d) Transactions with Key Management Personnel

	Bank First		Consolidated Entity	
	30 June 2019 $000's	30 June 2018 $000's	30 June 2019 $000's	30 June 2018 $000's
Loans				
Summary of transactions:				
New loans advanced	317	3,400	317	3,400
Interest and fees	162	179	162	179
Repayments	702	2,538	702	2,538
Revolving credit facilities:				
Total value extended	51	44	51	44
Balance utilised at 30 June	4	-	4	-
Loan and credit facilities:				
Balance owing at 30 June	**4,556**	**5,219**	**4,556**	**5,219**
Savings and term deposit services:				
Amounts deposited at 30 June	**2,281**	**2,314**	**2,281**	**2,314**

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 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 have been identified. Included in these are the financial risks of credit risk, non-traded market risk and liquidity risk. Operational risks such as Regulatory & Legal, Outsourcing, and Information Technology are how the Consolidated Entity executes the delivery of products and achieves its strategic objectives. Strategic risks are focused on our current strategic plans.

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.

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

This note presents information about the Consolidated Entity's exposure to the 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 2019

Risk management structure

Board of Directors:
The Board of Directors is responsible for ensuring risks are identified and controlled, for setting the overall 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 the overall 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 an independent oversight process, and for regular risk reporting to the Risk 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 & External Audit:
Risk management processes throughout the Consolidated Entity are audited regularly by the Internal and External Audit functions, examining both the effectiveness and the adequacy of the process, procedures and controls and the Consolidated Entity's compliance with the procedures. Internal & External 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, clients or counterparties default on their contractual obligations, or there is a deterioration in the credit quality of third parties 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 risk 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
- regular internal audit reviews.

Notes to the financial statements

For the year ended 30 June 2019

(i) Exposure to credit risk

		Bank First		Consolidated Entity	
	Notes	30 June 2019 $000's	30 June 2018 $000's	30 June 2019 $000's	30 June 2018 $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	113,051	40,990	113,051	40,990
Trade and other receivables	6	1,925	2,896	2,084	2,972
Deposits with banks	7	296,753	381,591	296,753	381,591
Deposits with authorised deposit-taking institutions	7	37,196	85,917	37,196	85,917
Loans secured by real estate mortgages	8	2,111,976	1,872,089	2,111,976	1,872,089
Government guaranteed loans	8	136	278	136	278
Other loans and advances	8	80,892	78,001	80,892	78,001
Other investments	10	4,973	4,195	1,424	686
		2,646,902	**2,465,957**	**2,643,512**	**2,462,524**
Irrevocable credit commitments	19	379,674	353,342	379,674	353,342
		379,674	**353,342**	**379,674**	**353,342**
Total credit risk exposure		**3,026,576**	**2,819,299**	**3,023,186**	**2,815,866**

(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 totalling $35M (2018: $39.7m) 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.

Notes to the financial statements

For the year ended 30 June 2019

Loan receivables are largely secured by physical property and advanced on a conservative Loan to Value Ratio (LVR) 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: 52.90% (2018: 52.09%). 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.

(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 2019	30 June 2018	30 June 2019	30 June 2018
Victorian residents	**87%**	**91%**	**87%**	**91%**
Other Australian and overseas residents	**13%**	**9%**	**13%**	**9%**
	100%	100%	100%	100%

(iv) Credit quality

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

		Neither past due or impaired		Past Due or	
		High grade	Other grade	Impaired	Total
	Notes	$000's	$000's	$000's	$000's
2018					
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	-	79,709	1,183	80,892
Other investments	10	-	1,424	-	1,424
		2,490,872	**149,951**	**2,689**	**2,643,512**
2018					
Cash and cash equivalents	5	40,990	-	-	40,990
Trade and other receivables	6	2,845	127	-	2,972
Deposits with banks	7	381,591	-	-	381,591
Deposits with authorised deposit-taking institutions	7	85,917	-	-	85,917
Loans secured by real estate mortgages	8	1,803,951	66,468	1,670	1,872,089
Government guaranteed loans	8	278	-	-	278
Other loans and advances	8	-	76,543	1,458	78,001
Other investments	10	-	686	-	686
		2,315,572	**143,824**	**3,128**	**2,462,524**

Notes to the financial statements

For the year ended 30 June 2019

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 2019 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.

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

			Bank First		Consolidated Entity	
	Standard & Poors or equivalent rating		**2019**	**2018**	**2019**	**2018**
	Long -term	**Short-term**	**$000's**	**$000's**	**$000's**	**$000's**
- Banks and Mutual Banks	AA- to AA	A1+	53,521	75,250	53,521	75,250
- Banks and Mutual Banks	A- to A+	A2 to A1	80,960	58,308	80,960	58,308
- Banks and Mutual Banks	BBB- to BBB+	A2	135,422	177,256	135,422	177,256
- Banks and Mutual Banks	Unrated	Unrated	26,850	70,777	26,850	70,777
- Credit Unions and Building Societies	BBB- to BBB+	A2 to A3	29,979	67,200	29,979	67,200
- Credit Unions and Building Societies	Unrated	Unrated	-	11,500	-	11,500
- Indue Ltd	Unrated	Unrated	7,217	7,217	7,217	7,217
			333,949	**467,508**	**333,949**	**467,508**
By type of investment						
- Negotiable certificates of deposit			105,573	136,165	105,573	136,165
- Term deposits			140,159	114,717	140,159	114,717
- Fixed rate notes and floating / variable rate notes			88,217	216,626	88,217	216,626
			333,949	467,508	333,949	467,508

Unrated investments are deposits held with counterparties that have not obtained an external rating with 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 2019

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

The table below shows the aging analysis of past due and impaired loans and is grouped according to credit risk exposure under AASB as at 30 June 2019.

	Note	Past due days 0-90	91-365	>365	Total
		$000's	$000's	$000's	$000's
2019					
Loans secured by real estate mortgages; assessed as stage 2		-	1,277	229	1,506
Other loans and advances; assessed as stage 2		-	704	442	1,146
Loans considered individually impaired (Stage 3)	8	37	168	335	540
		37	**2,149**	**1,006**	**3,192**

The comparative information for 30 June 2018 has been restated to align with the same past due categories as 2019.

2018*				
Loans secured by real estate mortgages	-	1,324	346	1,670
Other loans and advances	50	95	52	197
Loans considered individually impaired	17	268	994	1,279
	67	**1,687**	**1,392**	**3,146**

* The prior period past due categories have been restated to compare with the categories used in current year to align with revised AASB 9 Impairment stages.

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 through interest rate swaps (derivatives).

Notes to the financial statements

For the year ended 30 June 2019

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):

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% 2019 $000's	**+1% 2018 $000's**	**-1% 2019 $000's**	**-1% 2018 $000's**
Post Tax Earnings at risk	3,210	2,243	(2,917)	(2,273)

c) Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will encounter difficulty in meeting obligations, especially in the short 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 2019 was 14.11% (2018: 14.43%).

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.

Notes to the financial statements

For the year ended 30 June 2019

Bank First 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
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
	1,530,283	**152,049**	**292,968**	**409,499**	**75,520**	**2,460,319**
Year ended 30 June 2018						
Deposits	1,354,253	171,349	324,225	376,177	58,022	2,284,026
Trade and other payables	-	8,550	2,345	2,721	420	14,036
	1,354,253	**179,899**	**326,570**	**378,898**	**58,442**	**2,298,062**
Consolidated Entity						
Year ended 30 June 2019						
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
	1,529,437	**152,277**	**292,968**	**409,499**	**75,520**	**2,459,701**
Year ended 30 June 2018						
Deposits	1,351,837	171,349	324,225	376,177	58,022	2,281,610
Trade and other payables	-	8,614	2,345	2,721	420	14,100
	1,351,837	**179,963**	**326,570**	**378,898**	**58,442**	**2,295,710**

Notes to the financial statements

For the year ended 30 June 2019

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
Credit Commitments			
2019			
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
	64,168	**398,830**	**462,998**
2018			
Approved but undrawn loans	43,925	-	43,925
Undrawn line of credit and credit card commitments	-	84,330	84,330
Loans available for redraw	3	309,414	309,417
	43,928	**393,744**	**437,672**

Geographic concentration of members' deposits

	Bank First		Consolidated Entity	
	2019	**2018**	**2019**	**2018**
Victorian residents	94%	95%	94%	95%
Other Australian and overseas residents	6%	5%	6%	5%
	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 2019

24. Regulatory Capital

The regulatory capital requirements of Bank First comprises Victoria Teachers Limited and APRA approved subsidiaries (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 include an amount to recognise exposure to operational risk.

	Consolidated Entity	
	30 June 2019 $000's	30 June 2018 $000's
The Consolidated Entity manages as capital the following:		
Comprehensive income & other Reserves	203,367	186,616
Retained Earnings, including current year	11,005	11,911
Common Equity Tier 1 Capital (CET1) before regulatory adjustments	**214,372**	**198,527**
Capitalised expenses and intangibles	(4,713)	(4,167)
Deferred tax asset (net)	-	(1,898
Cash flow hedge	48	103
Equity exposures to other financial institutions	(1,424)	(686)
Common Equity Tier 1 Capital (CET1)	**208,283**	**191,879**
Tier 1 Capital	**208,283**	**191,879**
Total Tier 2 Capital	7,618	7,164
Total Regulatory Capital	**215,901**	**199,043**
Risk weighted exposures	**1,357,980**	**1,277,894**
Capital adequacy ratio (%)	**15.90**	**15.58**

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 report of Victoria Teachers Limited (the Company) and its subsidiaries (collectively the Group), which comprises:

- the Group consolidated and Company statements of financial position as at 30 June 2019;
- the Group consolidated and Company statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended;
- notes to the financial statements, including a summary of significant accounting policies; and
- the directors' declaration.

In our opinion, the accompanying financial report is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2019 and of their financial performance for the year ended on that date; and

b) 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 Report* 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 and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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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 Report

The directors of the Company are responsible for the preparation of the financial report that gives 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 report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 this financial report.

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

- Identify and assess the risks of material misstatement of the financial report, 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 Company's or the Group'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 Company's or Group'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 report 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 Company or the Group to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group 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.

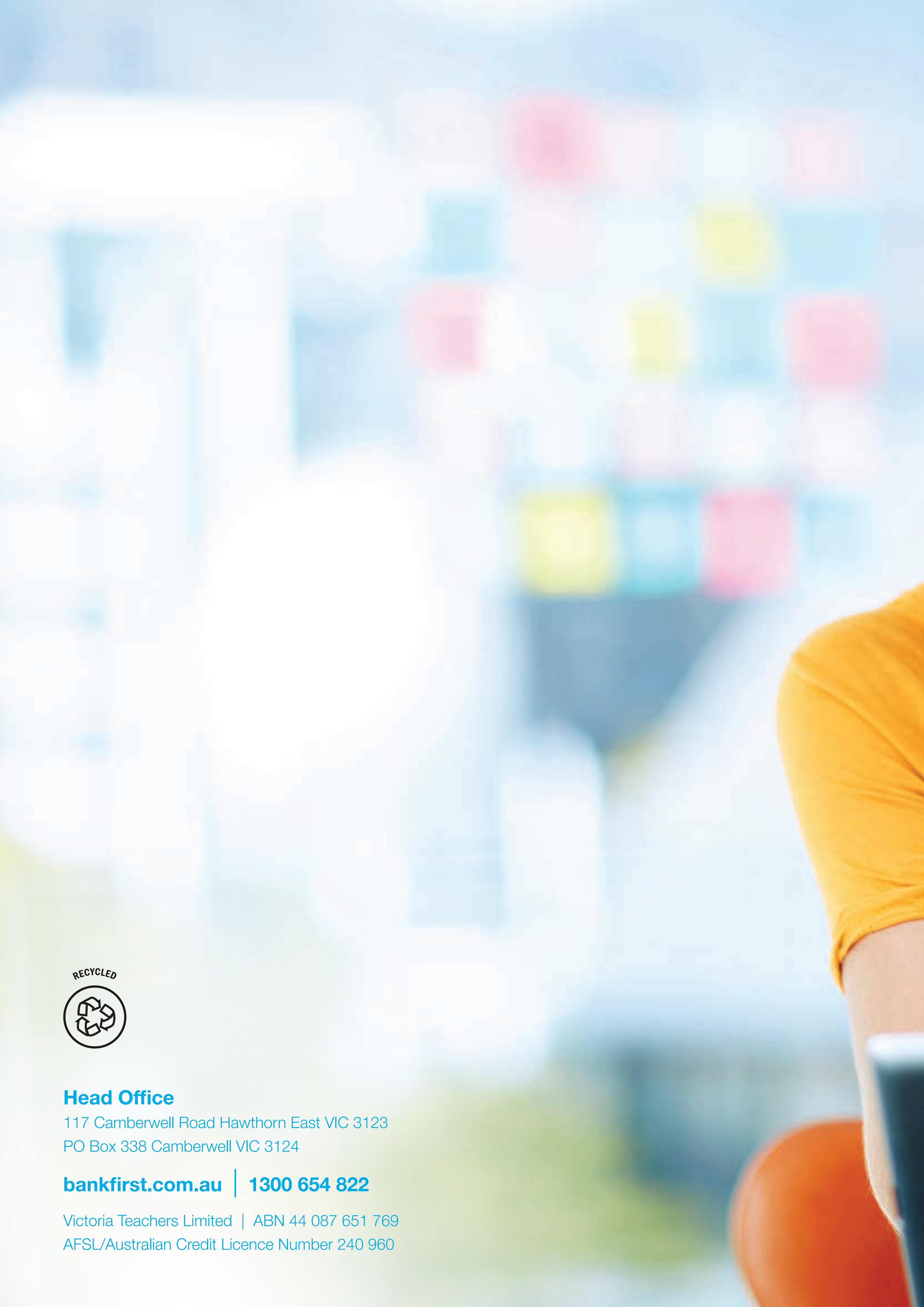
Ernst + Young

Ernst & Young

Brett Kallio

Brett Kallio
Partner
Melbourne

24 September 2019



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