



Annual Review

2019



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Building upon our heritage

Following the Financial Services Royal Commission, many banks were searching for their reason for being. For Bank First, 2018-19 was a year of further entrenching and supporting our purpose as a customer owned bank and our heritage of supporting those in the community who strive to support others.

From our humble beginnings in 1972, where 48 educators founded VTU Credit Union to better support the financial wellbeing of teachers, our commitment to our customers continues to remain at the heart of everything we do.

Our purpose statement 'financially empowering people who build community realise their dreams' reiterates our commitment to the education community and acts as the foundation to expand our support and offerings to people who work in like-minded vocations such as healthcare.

This approach not only allows us to grow organically, but more importantly to grow while reinforcing our purpose and strengthening our ability to support our customers and the wider sector of community builders.

We look forward to continuing to extend our support to people in the community who support others as we work to provide the best financial services for our customers.

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Chair and CEO reports



Chair's Report
Bernie Lloyd

Your Board of Directors is very pleased to present this Annual Review 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.

Board of Directors
Left - Right. Judy Crowe, Graeme Willis, Bernie Lloyd (Chair), Simon Terry, Jo Dawson, Michael Monester.



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.

Executive Management Team
Left - Right. Adam Alsbury - Chief Strategy & Marketing Officer, Matthew Ricker - Chief Customer Officer, Mark Thomson - Chief Technology Officer, William Wolke - Chief Executive Officer, Elsbeth Torelli - Chief Risk Officer, David Percival - Chief Financial Officer, Glenn Borg - Chief People & Culture Officer.





Financial Performance

Building upon and maintaining Bank First's sound financial position was again achieved in the 2018-19 financial year despite a historically low interest rate environment and economic uncertainty, placing Bank First in a solid position for further growth and financial stability.

Maintaining strong financial results

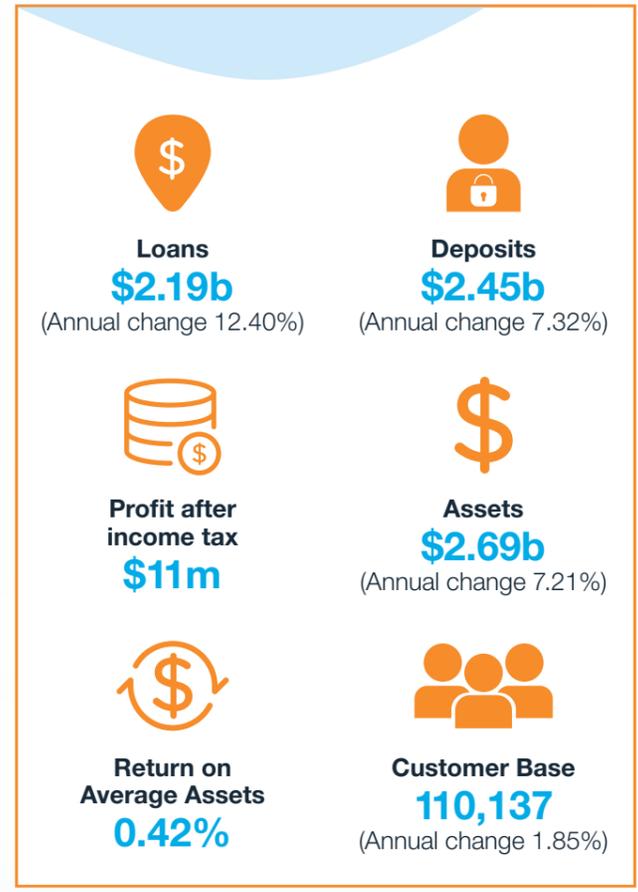
Remaining true to our 'customer first' approach, our financial results were accomplished while managing the needs of both depositors and borrowers.

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.

2018-19 Financial Results



1. We value what you:

\$ r e a l l y m a k e



We value what you really make

We have always been an organisation that exists to benefit our customers and in late 2017 our name changed to Bank First to better reflect this commitment. The decision to change our name was not taken lightly and was the result of research and sitting down with our customers and people in the community to find out how they feel their bank values them as a customer and what they value in life.

A values-based approach

The research into our name and the needs of our community also uncovered vocations with a similar mindset and motivations to our core customer base of teachers. It showed that like teachers, nurses and allied healthcare workers in particular are driven by care and compassion, by wanting to help others and to make a difference in our community.

It became clear that we were in a position to extend our support to people working in these sectors, to better support the financial wellbeing our wider community and the people who care.

Our heritage sits at the core of who we are, but it is the tangible support of those who care that sets us apart.

Our commitment to our customers in the education sector was reinforced over the last year, with many existing relationships strengthened and new relationships formed.

Our team of Relationship Officers continued to offer a personal approach to banking in visiting schools, preschools and tertiary institutions, while supporting education organisations such as the AEU, IEU, BMV, VASSP and VPA. In addition, new relationships were built within the healthcare sector to allow us to support new target markets that resonate with our purpose and value proposition.

Expanding our commitment

We are proud to be in a strong position to expand our support to like-minded vocations with our relationship building and customer centric approach. It is this approach that continues to differentiate ourselves from other banking alternatives and also leads to increased trust in our ability to deliver on our promises.

We look forward to continuing to contribute to key pillars in our society.



Our 'we value what you really make' campaign messaging was launched to show teachers, nurses and allied healthcare workers that we recognise what they do for the community matters.

That what they make goes well beyond a dollar figure. It is the interactions they have with their students or patients which translates to life changing moments, challenges and triumphs.

This work is the core of our community and builds the best future for the next generation of Australia.



Customer focused

As a customer owned bank we exist for the benefit of our customers. That's why we are focused on putting our customers first, offering a better banking experience and products and services tailored to their needs. A key part of achieving this is seeking customer feedback and ensuring this is at the heart of our decision making.

Supporting home buyers

Assisting our customers and the wider community to own their own home is an important part of our value proposition.

We spoke to our customers to understand their home loan experiences and identify ways we could support them in their journey. Using these insights, we co-created solutions with customers to offer support when they are looking to buy their first home or refinance.

Understanding that affordability is the number one concern for first home buyers and in response to customer feedback, we developed a unique agreement to help home buyers enter the property market – the 'First Start Shared Equity Agreement' (First Start).



First Start is a formal loan agreement between a 'contributor' and a home buyer to be used in conjunction with a Bank First home loan.



It helps home buyers get into the property market sooner and potentially saves them thousands of dollars by avoiding the need for Lenders Mortgage Insurance.



In exchange for their monetary support, First Start entitles the contributor to repayment of the same percentage share of the sale proceeds of the home as they contributed to the purchase costs.



First Start defines everyone's legal rights and obligations, offering both parties peace of mind.

First Start was recognised by Canstar with their 2019 Innovation Award for Excellence.



We also continued to enhance our Home First platform to guide first home buyers through the home buying journey. An Australian first, Home First helps home buyers calculate what they can afford and provides real-time property options based not only on their budget but their lifestyle aspirations.

Seeking feedback to continuously improve

In response to ongoing customer feedback, teams across the organisation worked together to resolve key customer pain points, including online password reset and strengthening the complexity of online passwords, with work ongoing to improve the overall customer experience.

Our ongoing commitment to a great customer experience is evident, with 90% of calls to our Customer Contact Centre resolved on the first interaction. This is reinforced by the multiple awards from independent reviewers for our products and services, including being placed in the top five in the 'Bank of the Year' category in the Roy Morgan Customer Satisfaction Awards in late 2018.

Customer service enhancements

In early 2019 we relocated our Moonee Ponds branch to Puckle Street. The new, modern branch is now in a more accessible location and includes new technology to assist with everyday banking needs.

A Robotic Process Automation platform was implemented to automate repetitive and manual processes across the organisation. We transitioned to a digital marketing platform that enables us to create tailored communications and provide relevant real time information to customers.

Bank First continues to invest in building robust technology ecosystems through the modernisation of our back-end and customer facing systems, and embracing new technologies such as Artificial Intelligence. Furthermore, we continue to strengthen our information security resilience to combat the ever-changing cyber security threat landscape.

During the year we carried out a major upgrade to our core banking system, providing a technology platform we can build on for the future. We relocated our secondary data centre to a purpose built facility that provides additional redundancy and more resilience in terms of disaster recovery and business continuity outcomes.

Sustainability with an ethical approach

Supporting sustainability and the environment is not only important to Bank First, but also to our customers. That's why we continue to implement sustainable practices and offer products that reward customers for environmentally friendly choices, such as our Green Car and Personal Loans. We take an ethical approach to investing and do not invest in fossil fuels or live trade exports.

1. You make:

\$ families
smile again



Supporting the people who care

Our values are integral to who we are and underpin everything we do. Our support of the people who care is an important way to reinforce these values and connect with the community. We are proud to continue to build strong and long-lasting relationships with our customers as well as assist the education and healthcare communities with sponsorships, donations and financial literacy support.

We're for education

Our team of Relationship Officers conducted workplace visits at preschools, schools and tertiary organisations across the state to provide personal banking support to customers and the education community. It is this level of service that differentiates us as we endeavour to offer convenient and tailored service to our customers.

We continued to build and strengthen our partnerships within the education sector, not only to connect and support the wider education community, but to support smaller projects that make a real difference, including:



ResourceSmart School Primary and Secondary Teacher of the Year Awards.



Principals' Association of Specialist Schools Awards.



Victorian Teachers' Games.



Providing 180 iPads to enable non-verbal students to communicate with their families, teachers, carers and friends in partnership with State Schools' Relief and Gandel Philanthropy.

Our very own Teaching Initiatives Program has been providing grants to schools and preschools since 1993 as part of our support at the grassroots of education. In 2019, 22 schools and preschools were awarded grants for initiatives including a frog pond rejuvenation, robotics programs and a laundry program to help students at a specialist school further develop their academic, social and living skills.

This year's People's Choice Award winner was Essex Heights Primary School for their initiative 'Mathematics Garden' which will allow for the creation of a variety of different types of mathematical play areas.

Supporting the healthcare community

Expanding our support into healthcare allows us to further contribute to the people in our community who make a difference in the lives of others. Partnerships and relationships have been formed with healthcare organisations that align to our values, offering the opportunity to learn more about the financial needs of healthcare workers to ensure we can best service their needs.

As is the case when we immerse ourselves in the lives of educators, it is always humbling to better understand and connect with the irreplaceable work that our carers in the community provide. Bank First supported the 2019 Mercy Health Foundation Ball to raise funds for Mercy Perinatal. During the night, attendees heard from the Perinatal Research team as they shared information about their education, clinical care and treatments dedicated to improving the health of mothers and babies. Such important and life changing work is a reminder of why we support those in the community who support others and why we will continue to champion our community builders.

Empowering our customers

We aim to empower our customers with knowledge to help them make more informed financial decisions. Part of this includes financial literacy articles available through our newsletters and social channels, along with other helpful resources such as online money-management calculators and free financial planning seminars.

Our Facebook community continues to grow, providing customers with another easy way to engage with Bank First and stay up-to-date with the latest news.

Financial wellbeing at every life stage

In addition to monetary support and building relationships, providing financial solutions for our customers is paramount. We continue to seek feedback and analyse the external environment to ensure our products and services are tailored to our customers. This includes identifying key financial needs at every life stage with packages for students, education and healthcare graduates, home buyers and a needs-based approach to financial planning.





Our people and culture

As a customer owned bank, we exist to support the financial wellbeing of our customers. This is achieved not only through our products and services, but our people.

We are proud of our culture and empower our people to foster an outstanding experience for our customers whilst ensuring our heritage remains an integral part of who we are.

Our people and culture

Culture continues to be a major focus for Bank First as we recognise that by focusing on our people they become the driver of that culture. The culture at Bank First is not accidental. It is built on a set of strong values and behaviours lived through our interactions with each other and our customers.

We use various platforms including LinkedIn to position Bank First as an employer of choice, ensuring that new staff understand our values and are aligned with our purpose.

Regularly testing our broader environment and engagement as we did this year, provides a focus on developing and strengthening our culture and importantly how well our people are aligned. Overall, the alignment of our people and the broader environment of Bank First was again very positive and favourable.

Opportunities to further strengthen our culture are always encouraged, with a 'Park It Forward' employee initiative introduced where employees can receive an office car park for the day by donating to the Alannah and Madeline Foundation.

Living our values

With our values at the heart of Bank First, our new employee assistance program was an exciting initiative to demonstrate how 'We Care' and support the wellbeing of our people. This program connects to our broader wellbeing initiatives and acknowledges life stressors, mental health and provides strategies for our people to seek external professional support in a supportive and caring manner.

Banking Executive Accountability Regime (BEAR)

Flowing from the Financial Sector Royal Commission, Bank First also implemented BEAR in recognition of the clear and enhanced expectations of accountability for directors and senior executives. With an implementation date of 1 July 2019, Bank First worked closely with the regulator (APRA) to create Accountability Statements and an Accountability Map.

Capability and development

With a direct connection to our value of 'We Learn and Grow', development of our people has continued to be a strong area of investment for Bank First. Areas of focus have included leadership development, new ideas initiative, specialist programs and tertiary education support. Adapting to new ways of work continues to be a focus for the organisation, with the introduction of a broad range of robotics automation initiatives.

Our Values

-  **We Care**
We listen to our customers and do all we can to meet their needs.
We support our people to be their best.
-  **We Learn and Grow**
We are passionate about building our collective knowledge.
We actively seek to be agile and great.
-  **We Empower**
We enable our people and customers to achieve the best outcomes by being consistent and present.
-  **We Do it For the Customer**
We stand out by being authentic and honest.
We are proud to do the right thing for our customers.