bankfirst
invested in you

Annual Financial Report

2021

For the year ended 30 June 2021

Our Members build better communities, and we're proud to be the bank that puts them first.

Over the last year we've provided support wherever we can during times of need, driven by our founding value - care. Financial support packages were available to Members affected by COVID-19 and natural disasters, and at the same time we've continued to grow and look to the future.

Despite being a year of change and uncertainty, Bank First achieved strong financial results, including high loan growth, while continuing to ensure the loans are in the best interest of our Members, placing the bank in a great position to continue to support its Members in the future.

As a customer-owned bank, we exist to financially empower our Members. It is this purpose that directs our sound financial management and ensures that the needs of both borrowers and depositors are taken into account when developing our pricing model.

Growth has continued to be strong, with total assets increasing by 11.55% and total equity by 5.57%. Bank First is well positioned for continued growth with a capital adequacy ratio of 15.72%.

Profit after income tax of $11.9m was achieved and reinvested back into the organisation to enable us to continue to create value for our Members and the wider education and healthcare community.

Despite uncertain socioeconomic conditions, the quality of our lending book continued to be sound. 2020-21 was also a record-breaking year with extremely high loan growth (8.4%) and the highest Funds Under Advice ($395m) since the bank was founded in 1972.

Our steadfast financial approach and strong results continue to put Bank First in a great position to provide real value to our Members.

2020-21 Financial Results

Loans
$2.42b
(+8.40%)

Deposits
$2.92b
(+11.97%)

Profit after income tax
$11.9m

Assets
$3.19b
(+11.55%)

Return on Average Assets
0.39%

Funds Under Advice
$395m

Chair's Report

Bernie Lloyd

I am very pleased to present my annual Board perspective for the Annual Report. It's been yet again another successful year for Bank First despite the deepening shadow of the Covid pandemic. You'll discover the financial metrics that demonstrate this progress as you read through these documents and I encourage you to do so. We met all of our targets despite significant headwinds such as continuing record low interest rates and fierce competition from bigger banks. For many days our beautiful main branch in Camberwell was almost deserted except for the contact centre. That challenge we also rose to - to successfully run our bank from the actual homes of staff points to the options for future ways of working that will emanate from this experience.

Experience only brings value when we reflect on it and learn from it. What have we learnt this year? It's been affirmed for us that our stated purpose to help our people realise their financial dreams is still a guiding star. We've learnt to give up old ways of working without losing our focus on Member service and creating benefits for our customers. In fact, we've agreed as an organisation that we will create increased value for Members through both service and product. We need each other; invested in you has never seemed more resonant as a cut through message.

What has prevailed, and this is so heartening, is your satisfaction with us. Formal surveys as well as anecdotal evidence show you have faith in us as your preferred bank. It's very important to us that we are a constant and reliable presence in the lives of many of you and we want to strengthen those relationships. Rudyard Kipling wrote: The strength of the wolf is in the pack and the strength of the pack is in the wolf. The uncertainty of our society as illuminated by a world-wide pandemic reminds us of the need for social and business relationships where the players are governed by respect and compassion. Caring is what we are about but, of course, to be competitive in the financial arena we must also be efficient, agile and smart.

You'll remember that we farewelled William Wolke as CEO in October last year and welcomed Michelle Bagnall. Michelle has already proven to be an excellent cultural match for us and has led us through a stringent process of reflection, evaluation and strategy readjustment as part of a revamped operating model. The Board as well as staff and third parties has participated in this program and your Directors have relished opportunities to celebrate our legacy and co-imagine our future.

Bank First is unashamedly true to its values and we have unwavering belief in our people, in our customers – many of whom are involved in the education and health sectors – who help build community and who have stood tall to face those significant challenges already mentioned. Our Relationship Officers have missed their face to face contact with schools and health centres but willingly retrained when their services were needed for other business units. Directors missed the chances to present funds to innovative school personnel who won awards through the TIPS program. We've all missed something but Bank First has remained steadfast. We are proud of our dedication and determination to serve you and I thank all staff and Directors who make this possible.

CEO's Report

Michelle Bagnall

Bank First is a bank built by our Members, for our Members.

As we close out this past financial year, we are proud of the way in which our bank responded to the challenges of the past year with a strong focus on our Members and our people.

We exist to serve essential workers in vocations such as education, nursing and allied health, those working to create a more resilient and strong community, in caring for others. Our purpose is 'financially empowering people who build community realise their dreams'. That means that as you work to make our community more resilient, we are working to help you create greater financial resilience in your own lives.

We have worked hard to ensure that this level of care has shown up in our every-day actions and most importantly in practical ways when we interact with our Members in every small way. Over the past year, under very unusual circumstances, this has meant being there when our Members needed us most – in times when they're facing into hardship.

The impacts of the pandemic have touched so many through this period, and have shone a light on our resilience as a community. That's true also of our people here at Bank First. We have taken extra actions this past year to take care of our people through a series of wellness initiatives, including supporting them with time away from the business for their vaccinations.

Not only have we withstood these unusual conditions, but the strength of our business means we have continued to meet the needs of our Members, to grow and to care for our Bank First people who serve you.

This is my first annual review to our Members as your new CEO, having joined the business in February of this year. My first impressions of this place is that of uncommon humanity and a genuine care for our Members. I wish to extend my thanks to our past CEO, William Wolke, whose 18 years of service at Bank First laid a foundation for the future of stability and safety. I also wish to acknowledge the hard work and dedication of our Board members, under the leadership of our Chair Bernie Lloyd, and the way in which the Board works in concert with management to create an even stronger future for Bank First.

This past year we have continued to invest in our business so that we continue to be safe and strong, meeting all our regulatory requirements. Our lending growth has been the highest in the Bank's history and our focus on responsible practices ensures that we are keeping both our bank and our Members safe. We are committed to continuing our investment in the operations of our bank so that we can simplify and streamline the way we work. This makes it easier for our people to get things done, and in turn will make it easier, faster and simpler for our Members.

As we invest in the bank of today, we are always thinking about what this means for Bank First into the future. This future strategy is being mapped out as we head into our next financial year, with an emphasis on building a better banking experience that is even more meaningful for our Members in education, healthcare and allied health. We will be investing in ways to improve our Member experience, including enhancing our digital experience, making it simpler and easier to do your banking with us. We have heard our Members' feedback that there are things that we need to improve and do better, and we will be working actively to make these improvements. At the heart of our experience, however, is our people and we will be working even harder to ensure we never lose our 'human touch'. We know it's the people of Bank First that truly differentiate us from being just another bank.

2022 will mark our 50 years of service to our Members. As we head into our 50th year, we are consciously taking ourselves back to our origins in 1972 and actively thinking about our foundational Members, who set out to help each other, and their fellow educators. These founding principles of giving our Members access to something that they couldn't get from any other bank are a guiding light as we map out our future.

As we close out the last financial year and look forward to an even stronger, brighter future, I want to thank you on behalf of the whole team for being a Member of Bank First. Thank you for the work that you have done, and continue to do in creating a more resilient and stronger community.

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Corporate Information

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

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

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

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

Corporate Governance

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

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

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

Role of the Board

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

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

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

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

Board Composition

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

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

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

Corporate Governance

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

	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
	**Judith Crowe**	BA, Dip Ed, Dip SS, Dip Admin, Dip Psych, FACEL, GAICD Director since 2018	Non-Executive Director
	**Joanne Dawson**	B.Comm, MBA, Dip FP, CA, FAICD Director since 2014	Non-Executive Director
	**Mark Devadason**	B.SSc, MAICD Director since 2020	Non-Executive Director
	**Michael Monester**	LLB, B. Juris., FAICD Director since 2010	Non-Executive Director
	**Simon Terry**	B. Comm, LLB, GAICD Director since 2018	Non-Executive Director
	**Emily McGrath**	B.Hons Law, AGIA, AGRCI, AAICD Company Secretary since 2018	Company Secretary

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 relationship status, origin, ethnicity, culture, disability, age, sexual orientation, industrial activities, political and/or religious beliefs.

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

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

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

Ethical Standards

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

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

Qualifications & Training

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

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

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

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

Board Composition and Renewal

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

Board and Director Performance Evaluations

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

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

Corporate Governance

Director Remuneration

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

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

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

Controlled entities

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

Constitution, Board and Committee Charters, and Policies

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

Copies of the following are available on Bank First's website at **bankfirst.com.au**:

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

Board Committees

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

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

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

Audit Committee

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

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

Risk Committee

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

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

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

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

Governance, Culture, Remuneration and Accountability Committee

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

The Governance, Culture, Remuneration and Accountability Committee assists the Board in the discharge of its responsibilities by developing, reviewing and making recommendations on governance policies, practices and processes; and Board engagement, representation and interaction with Members and stakeholders. This Committee also assists the Board in fulfilling its obligations and responsibilities with respect to the effective management of and adherence to APRA's remuneration standards including those set out under the Banking Executive Accountability Regime. The Committee is also 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 Officers – Fit & Proper Policy.

Corporate Governance

Corporate Citizenship

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

Customer Communication

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

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

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

Whistleblower Protection

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

Modern Slavery

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

Privacy

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

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

Compliance Program

Bank First has comprehensive Compliance Management Programs in support of:

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

Risk Management

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

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

Internal and External Audit

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

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

Corporate Governance

DIRECTORS MEETING ATTENDANCE 2020/21

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		GRCA Committee*	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Bernadette Lloyd	11	11	2	2	4	4
Graeme Willis	11	11	2	2	4	4
Michael Monester	11	10	2	2	-	-
Joanne Dawson	11	11	2	2	-	-
Simon Terry	11	11	2	2	4	4
Judith Crowe	11	11	2	2	4	4
Mark Devadason	11	11	2	1	-	-

	Risk Committee		Audit Committee		Nominations Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Bernadette Lloyd	-	9	4	4	-	-
Graeme Willis	9	9	4	4	1	1
Michael Monester	9	9	-	-	-	-
Joanne Dawson	9	9	4	4	-	-
Simon Terry	-	-	4	4	1	1
Judith Crowe	-	-	-	-	-	-
Mark Devadason	9	9	-	-	1	1

	Strategic Planning Session		TOTAL	
	Eligible	Attended	Eligible	Attended
Bernadette Lloyd	1	1	**22**	**31**
Graeme Willis	1	1	**32**	**32**
Michael Monester	1	1	**23**	**22**
Joanne Dawson	1	1	**27**	**27**
Simon Terry	1	1	**23**	**23**
Judith Crowe	1	1	**18**	**18**
Mark Devadason	1	1	**24**	**23**

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.

* Governance, Culture, Remuneration and Accountability Committee

Executive Management

The Executive Managers of Bank First as at the date of this report (28 September 2021) are as follows:

Michelle Bagnall MBA, GAICD, SFFin
Chief Executive Officer

Michelle brings over 25 years of financial services experience in Australia and internationally. She has held executive positions at RACQ, Suncorp, NAB, RBS and IAG. She is a Senior Fellow of FINSIA, AICD graduate and holds an MBA. She has held Executive Director positions on the Boards of the Suncorp Superannuation Trustee and RACQ Financial Planning Pty Ltd.

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

Glenn joined Bank First in 2007. He leads the People & Culture functional team and has extensive experience in culture, leadership and people management, with strengths and expertise in employee and industrial relations, organisation development, capability, health and wellbeing and talent attraction and management. His formal qualifications are supported by Australian Institute of Company Directors and Australian Human Resources Institute memberships.

Mark Di Donato GCertITLdshp
Chief Technology Officer (Acting)

Mark has 25 years' experience in the financial services sector with strengths in leading technology teams to manage infrastructure, risk, compliance, and technology projects including cyber security. Mark's experience is complemented by his active membership of the Australian Computer Security, The Institute of Electrical and Electronics Engineers (IEEE) and Information Systems Audit and Control Association (ISACA).

Alison Hill Bachelor of Commerce / Law, CPA, CIA
Chief Risk Officer

Alison brings over 25 years of risk management, governance, and audit experience across a range of sectors in Australia. Alison joined Bank First in June 2021 and prior to that held senior positions at RACQ Bank and Deakin University. She is passionate about instilling good governance practices as well as developing high performing teams that enable achievement of business goals in a safe and responsible way.

Ashley Hood B.Com FFin
Chief Operations Officer

Prior to joining Bank First, Ashley was COO of Beyond Bank Australia and CEO of Nexus Mutual. He is a banker with over 30 years' experience, having held senior executive roles at Bendigo and Adelaide Bank. Ashley is passionate about the customer and improving the prosperity and capacity of the communities he serves. Ashley is a graduate of the University of Queensland, a Director of the Customer Owned Banking Association (COBA) and a Fellow at the Financial Services Institute of Australia (FINSIA).

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

David joined Bank First in 2002 and has over 30 years experience within the financial services industry. In his current role as Chief Financial Officer at Bank First he is responsible for the Banks management, statutory and regulatory reporting. David is also responsible for the Banks Treasury, Project Management Office (PMO), Property and Procurements functions and is the Chair of the Banks Asset and Liability Committee (ALCO).

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

Matthew joined Bank First in 2018 and leads the Lending, Insurance, Financial Planning, Member Service Centre and the Member Contact Centre teams. With over 30 years' experience within the Banking industry, Matthew has held senior executive roles in consumer banking across large scale operations, finance, customer service and sales/distribution. Since 2013, Matthew has been a board member, including time as Chair, of not-for-profit KIDS Foundation.

Simone Van Veen MBA, BA (psychology)
Chief Member Officer

Prior to joining Bank First in August 2021, Simone was Executive Everyday Banking at NAB. Simone has held senior positions across product, digital, marketing, projects and agile delivery functions. Simone has a deep care for people and is passionate about creating outstanding customer experiences. Simone is a member of FINSIA, has completed an MBA and Bachelor of Arts majoring in Psychology. Simone has previously held a Non-Executive Director position on the Eftpos Board.

Directors' report

Your Directors submit their report for Victoria Teachers Limited trading as Bank First for the year ended 30 June 2021.

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 $11,559k (2020: $9,010k). The consolidated net profit after related income tax expense for the Consolidated Entity was $11,942k (2020: $9,364k).

There remains significant uncertainty regarding how the COVID-19 pandemic will evolve and the measures to contain it continue to impact the economic outlook. Bank First have carefully considered the impact of COVID-19 in preparing the financial statements for the year ended 30 June 2021.

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 231 employees as at 30 June 2021 (2020: 225).

Auditor independence and Audit Services

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

Indemnification and Insurance of Directors and Officers

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

Indemnification of auditors

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

Events Subsequent to Balance Date

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

Likely developments

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

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

Directors' Interests and Benefits

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

Directors' benefits are included in Note 21.

Rounding

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

BRLloyd

Bernadette Lloyd
Chair

Melbourne
28 September 2021

Deloitte Touche Tohmatsu
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28 September 2021

The Board of Directors
Victoria Teachers Limited
117 Camberwell Road
HAWTHORN EAST VICTORIA 3123

Dear Board Members

Auditor's Independence Declaration to Victoria Teachers Limited

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

As lead audit partner for the audit of the financial statements of Victoria Teachers Limited and controlled entities for the financial year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

M Stretton

Mark Stretton
Partner
Chartered Accountants

Directors' declaration

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

In the opinion of the Directors of Bank First:

a. The financial statements and notes of Bank First and of the Consolidated Entity are in accordance with the *Corporations Act 2001*, including:

   i. Giving a true and fair view of Bank First's and the Consolidated Entity's financial position as at 30 June 2021 and of its performance for the year ended on that date; and

   ii. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

b. The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1; and

c. There are reasonable grounds to believe that Bank First will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Bernadette Lloyd
Chair

Melbourne
28 September 2021

Statement of comprehensive income

For the year ended 30 June 2021

		Bank First		Consolidated Entity	
		30 June 2021	30 June 2020	30 June 2021	30 June 2020
	Notes	**$000's**	**$000's**	**$000's**	**$000's**
Interest income	3(a)	74,610	88,496	73,409	87,243
Interest expense	3(b)	16,582	33,732	16,578	33,723
Net interest income		**58,028**	**54,764**	**56,831**	**53,520**
Other operating income	3(c)	9,085	10,128	9,914	11,039
Net operating income before expenses		**67,113**	**64,892**	**66,745**	**64,559**
Less					
Salaries and related expenses		27,352	25,943	27,352	25,943
Member access and statement expenses		6,221	6,347	6,221	6,347
Administration expenses		3,628	3,641	3,628	3,643
Depreciation and amortisation		2,003	2,283	3,029	3,296
Information technology costs		5,048	4,861	5,048	4,861
Occupancy expenses		3,321	3,346	1,380	1,493
Marketing expenses		2,544	2,699	2,544	2,699
Charge for impairment	3(d)	470	2,936	470	2,936
Total operating expenses		**50,587**	**52,056**	**49,672**	**51,218**
Profit for the year before income tax		**16,526**	**12,836**	**17,073**	**13,341**
Income tax expense	4	4,967	3,826	5,131	3,977
Net profit for the year		**11,559**	**9,010**	**11,942**	**9,364**
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Net gain/(loss) on equity instruments designated at fair value through other comprehensive income		51	(66)	51	(66)
Net gains/(losses) on cash flow hedges taken to equity	15	-	48	-	48
Total other comprehensive income		**51**	**(18)**	**51**	**(18)**
Total comprehensive income for the year		**11,610**	**8,992**	**11,993**	**9,346**

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

As at 30 June 2021

		Bank First		Consolidated Entity	
		30 June 2021	30 June 2020	30 June 2021	30 June 2020
	Notes	$000's	$000's	$000's	$000's
Assets					
Cash and cash equivalents	5	120,373	108,541	120,373	108,541
Trade receivables	6	565	1,021	645	1,103
Investments	7	594,347	463,197	594,347	463,197
Loans and advances	8	2,419,862	2,232,311	2,419,862	2,232,311
Due from controlled entities	9	23,749	24,437	-	-
Property, plant and equipment	11	23,567	26,490	45,732	46,189
Deferred tax assets	12	3,660	3,482	3,759	3,569
Other assets	10	7,708	7,324	4,168	3,817
Total Assets		**3,193,831**	**2,866,803**	**3,188,886**	**2,858,727**
Liabilities					
Deposits and other borrowings	13	2,917,720	2,605,432	2,916,045	2,604,343
Trade and other payables	14	35,234	31,925	16,538	11,395
Income tax payable		385	24	646	208
Provisions	16	5,255	5,782	5,255	5,782
Deferred tax liabilities	12	251	264	4,345	3,929
Total Liabilities		**2,958,845**	**2,643,427**	**2,942,829**	**2,625,657**
Net Assets		**234,986**	**223,376**	**246,057**	**233,070**
Equity					
Reserves		234,986	223,376	246,057	233,070
Total Equity		**234,986**	**223,376**	**246,057**	**233,070**

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of changes in equity

For the year ended 30 June 2021

	General reserve	Asset revaluation reserve	Reserve for credit losses	Cash flow hedge reserve	Fair value reserve	Total
	$000's	$000's	$000's	$000's	$000's	$000's
Bank First						
Balance at 30 June 2019	**207,285**	**87**	**7,060**	**(48)**	**-**	**214,384**
Profit for the period	9,010	-	-	-	-	9,010
Other comprehensive income	-	-	-	48	(66)	(18)
Total comprehensive income	**9,010**	**-**	**-**	**48**	**(66)**	**8,992**
Transfer to reserve for credit losses	1,173	-	(1,173)	-	-	-
Balance at 30 June 2020	**217,468**	**87**	**5,887**	**-**	**(66)**	**223,376**
Balance at 30 June 2020	**217,468**	**87**	**5,887**	**-**	**(66)**	**223,376**
Profit for the period	11,559	-	-	-	-	11,559
Other comprehensive income	-	-	-	-	51	51
Total comprehensive income	**11,559**	**-**	**-**	**-**	**51**	**11,610**
Transfer to reserve for credit losses	(842)	-	842	-	-	-
Balance at 30 June 2021	**228,185**	**87**	**6,729**	**-**	**(15)**	**234,986**
Consolidated Entity						
Balance at 30 June 2019	**210,044**	**4,376**	**7,060**	**(48)**	**-**	**221,432**
Profit for the period	9,364	-	-	-	-	9,364
Other comprehensive income	-	-	-	48	(66)	(18)
Total comprehensive income	**9,364**	**-**	**-**	**48**	**(66)**	**9,346**
Transfer to reserve for credit losses	1,173	-	(1,173)	-	-	-
Asset Revaluation	-	2,292	-	-	-	2,292
Balance at 30 June 2020	**220,581**	**6,668**	**5,887**	**-**	**(66)**	**233,070**
Balance at 30 June 2020	**220,581**	**6,668**	**5,887**	**-**	**(66)**	**233,070**
Profit for the period	11,942	-	-	-	-	11,942
Other comprehensive income	-	-	-	-	51	51
Total comprehensive income	**11,942**	**-**	**-**	**-**	**51**	**11,993**
Transfer to reserve for credit losses	(842)	-	842	-	-	-
Asset Revaluation	-	994	-	-	-	994
Balance at 30 June 2021	**231,681**	**7,662**	**6,729**	**-**	**(15)**	**246,057**

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

Statement of cash flows

For the year ended 30 June 2021

	Notes	Bank First 30 June 2021 $000's	Bank First 30 June 2020 $000's	Consolidated Entity 30 June 2021 $000's	Consolidated Entity 30 June 2020 $000's
Cash flows from operating activities					
Inflows					
Interest received		74,960	89,360	73,759	88,107
Dividends received		-	35	-	35
Bad debts recovered		203	127	203	127
Other operating income		9,905	10,832	11,056	12,150
Total inflows		**85,068**	**100,354**	**85,018**	**100,419**
Outflows					
Interest paid		(19,148)	(35,392)	(19,144)	(35,383)
Salaries and related expenses		(27,879)	(25,486)	(27,879)	(25,486)
Other payments in the course of operations		(11,759)	(19,862)	(12,244)	(20,236)
Income tax paid		(4,819)	(4,973)	(4,915)	(5,033)
Total outflows		**(63,605)**	**(85,713)**	**(64,182)**	**(86,138)**
Net cash flows provided by operating activities	**18**	**21,463**	**14,641**	**20,836**	**14,281**
Cash flows from investing activities					
Net increase in loans		(187,976)	(43,738)	(187,976)	(43,738)
Net movement in investments		(131,388)	(129,247)	(131,388)	(129,247)
Net movement in equity investments		(298)	(61)	(203)	-
Payments for property, plant and equipment		(491)	(778)	(491)	(814)
Proceeds from sale of property, plant and equipment		243	207	243	207
Net decrease/(increase) in loans due from controlled entities		688	1,200	-	-
Payments for intangible assets		(834)	(1,010)	(834)	(1,010)
Net cash flows used in investing activities		**(320,056)**	**(173,427)**	**(320,649)**	**(174,602)**
Cash flows from financing activities					
Net increase in deposits		312,288	156,103	311,702	155,860
Payment of principal portion of lease liabilities		(1,863)	(1,827)	(57)	(49)
Net cash flows from financing activities		**310,425**	**154,276**	**311,645**	**155,811**
Net increase/(decrease) in cash and cash equivalents		11,832	(4,510)	11,832	(4,510)
Cash and cash equivalents at the beginning of the period		108,541	113,051	108,541	113,051
Cash and cash equivalents at the end of the period	**5**	**120,373**	**108,541**	**120,373**	**108,541**

Notes to the financial statements

For the year ended 30 June 2021

Contents of the notes to the financial statements

Notes to the financial statements

For the year ended 30 June 2021

1. Summary of significant accounting policies

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

a. Basis of preparation

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

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000's) 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 2021, 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 2020-5 Amendments to Australian Accounting Standards - Insurance Contracts - No Impact.

AASB 2020-8 Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform Phase 2 - No Impact.

AASB 2021-3 Amendments to Australian Accounting Standards - Covid-19-Related Rent Concessions beyond 30 June 2021 - No impact.

c. Basis of consolidation

The consolidated financial statements comprise the financial statements of Victoria Teachers Limited, its subsidiary VTMB Properties Pty Ltd and special purpose entities as at 30 June each year (the Consolidated Entity). Bank First comprises Victoria Teachers Limited and 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 on-going exposure to the risks and rewards associated with the assets (e.g. due to subscription of issued notes), the originated assets remain recognised on the balance sheet of Bank First for accounting purposes.

d. Impact of coronavirus (COVID-19)

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

Management have carefully considered the impact of COVID-19 in preparing the financial statements for the year ended 30 June 2021. The key impact has been on the provision for impairment of loans and advances. In assessing forecast conditions, management have incorporated the effects of COVID-19 and government support measures on a reasonable and supportable basis. The AASB 9 impairment methodology, and the definition of default have remained consistent with prior periods.

Notes to the financial statements

For the year ended 30 June 2021

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

e. Significant accounting judgements, estimates and assumptions

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

Management has identified critical accounting policies for which significant judgements, estimates and assumptions are made, information about which is included in Note 1(k) – Loans and advances.

f. Revenue recognition

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

Interest income:

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

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

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

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

Other income:

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

g. Leases

As a lessee

Where the entity is a lessee, all leases are recognised as a right-of-use asset and lease liability on the balance sheet, unless the underlying asset is of a low value and the lease has a term of 12 months or less. The entity assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

i) Right-of-use assets

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

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

ii) Lease liabilities

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

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

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the group if it is reasonable certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

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

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

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

Notes to the financial statements

For the year ended 30 June 2021

As a lessor

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

h. Income tax and other taxes

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

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

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

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

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

Tax consolidation:

Bank First and its subsidiaries participate in a tax consolidation group. Bank First is liable for any tax payable on behalf of its subsidiaries. However, the subsidiaries are generally required under UIG Interpretation 1052 Tax Consolidation Accounting to recognise their income tax expense and deferred taxes in their annual report and to report the current tax liability to Bank First as a contribution of equity by Bank First. Bank First reports the income tax payable as additional contributions of equity and increases Bank First's investment in its subsidiaries.

Goods and services tax:

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

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

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

i. Cash and cash equivalents

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

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

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

j. Valuation of financial instruments

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

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

- how the performance of the financial assets held within that business model are evaluated and reported to the Group's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed.

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

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

- Loans are classified at amortised cost as disclosed in Note 8: these are held within a business model whose objective is to collect contractual cash flows

Notes to the financial statements

For the year ended 30 June 2021

that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets are subsequently measured at amortised cost under the application of AASB 9.

- Equity Investments are measured at fair value through other comprehensive income (FVOCI) as disclosed under Note 10 Other assets.
- Derivatives are measured 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.
- All other financial assets and liabilities are measured at amortised cost.

k. Loans and advances

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

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

For the purpose of calculating ECL, 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. Loans 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; and
- 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.

Economic Overlay

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

Bank First has provided loan repayment deferral arrangements to customers impacted by COVID-19 in line with industry practice and regulatory requirements. The packages have been offered to customers to provide short term cash flow support. During the deferral period interest is capitalised and it is expected that the loan balance along with the capitalised interest will be repaid in full. The temporary loan repayment deferral facility expired at 31 March 2021. The loans that remain as deferred are considered to represent a significant increase in credit risk and have been reclassified from Stage 1 to Stage 2 for ECL provisioning purposes.

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

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

Notes to the financial statements

For the year ended 30 June 2021

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 member 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 for details of the reserve.

l. Other investments

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

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

m. Property, plant and equipment

Property

Land and buildings are carried at revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Revaluations are carried out by an external independent valuer who assesses the valuation in accordance with generally accepted valuation Standards and Australian Accounting Standards.

Plant and equipment

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

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

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

Depreciation

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

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

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

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

Derecognition and disposal

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

Revaluations of land and buildings

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

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

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

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

n. Intangible assets

Intangible assets consist of computer software which has a finite useful life and is carried at cost less any accumulated amortisation and any impairment losses. Computer software is amortised on a straight-line 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 2021

o. Interest bearing loans and borrowings

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

p. Deposits

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

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

q. Derivative financial instruments and hedge accounting

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

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

Derivatives are measured 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 measurement of the derivative instruments used for hedging purposes are provided in Note 23.

r. Employee benefits

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

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

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

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

2. New and amended standards and interpretations

Several amendments and interpretations apply for the first time in the year ended 30 June 2021, 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 have been issued but are not yet effective.

Notes to the financial statements

For the year ended 30 June 2021

	Bank First		Consolidated Entity	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	$000's	$000's	$000's	$000's
3. Selected income and expenses				
a) Interest Income				
Loans secured by real estate mortgages	65,968	74,898	65,968	74,898
Investments	4,305	7,241	4,305	7,241
Government guaranteed loans	1	2	1	2
Other loans and advances	3,135	5,102	3,135	5,102
Due from controlled entities	1,201	1,253	-	-
Total interest income	**74,610**	**88,496**	**73,409**	**87,243**
b) Interest expense				
Due to controlled entities	4	9	-	-
Other persons	16,578	33,723	16,578	33,723
Total interest expense	**16,582**	**33,732**	**16,578**	**33,723**
c) Other Operating income				
Fees	1,855	2,626	1,855	2,626
Commissions	6,759	7,074	6,759	7,074
Other revenue from contracts with customers	465	354	437	327
Total Revenue from contracts with customers	**9,079**	**10,054**	**9,051**	**10,027**
Other	6	74	863	1,012
Total other operating income	**9,085**	**10,128**	**9,914**	**11,039**
d) Charge for impairment				
Additional provisions	425	3,052	425	3,052
Recoveries	(193)	(116)	(193)	(116)
Charge for impairment on loans	**232**	**2,936**	**232**	**2,936**
Additional provisions on Investments	238	-	238	-
Total charge for impairment	**470**	**2,936**	**470**	**2,936**
4. Income tax expense				
The major components of income tax expense are:				
On net profit for the period:				
Current income tax charge	5,278	4,447	5,372	4,630
Adjustments for income tax expense of previous years	-	(42)	-	(42)
Deferred tax relating to origination and reversal of temporary differences	(311)	(579)	(241)	(611)
Income tax expense reported in the statement of comprehensive income	**4,967**	**3,826**	**5,131**	**3,977**

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

The balance of franking credits for Bank First as at 30 June 2021 was $91m (2020: $86m).

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 2021

	Bank First		Consolidated Entity	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	$000's	$000's	$000's	$000's
Profit for the period before income tax	**16,526**	**12,836**	**17,073**	**13,341**
Income tax expense at the Consolidated Entity's statutory income tax rate of 30% (2020: 30%)	4,958	3,851	5,122	4,001
Tax on expenses not allowable as tax deductions	9	17	9	17
Adjustments for income tax of previous years	-	(42)	-	(42)
Income tax expense reported in the statement of comprehensive income	**4,967**	**3,826**	**5,131**	**3,977**

5. Cash and cash equivalents

Cash at bank and on hand	95,373	83,541	95,373	83,541
Deposits at call	25,000	25,000	25,000	25,000
	120,373	**108,541**	**120,373**	**108,541**

6. Trade and other receivables

Interest receivable on investments	563	913	563	913
Other receivables	2	108	82	190
	565	**1,021**	**645**	**1,103**

Other receivables recognised as amounts owed to the Consolidated Entity are 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	561,129	431,552	561,129	431,552
Investments with non-bank ADIs				
- Indue Ltd	19,956	7,217	19,956	7,217
- Credit unions and building societies	13,500	24,428	13,500	24,428
	594,585	**463,197**	**594,585**	**463,197**
Provision for impairment	(238)	-	(238)	-
	594,347	**463,197**	**594,347**	**463,197**

All investments are in Stage 1 for ECL provisioning purposes. The provision for impairment results from new provisions made during the year ended 30 June 2021.

Maturity analysis

No longer than 3 months	239,406	124,054	239,406	124,054
Longer than 3 months and less than 12 months	136,297	151,452	136,297	151,452
Longer than 1 year and less than 5 years	218,882	187,691	218,882	187,691
	594,585	**463,197**	**594,585**	**463,197**
Provision for impairment	(238)	-	(238)	-
	594,347	**463,197**	**594,347**	**463,197**

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 and advances

a) By class

Secured by real estate mortgage	2,364,146	2,160,391	2,364,146	2,160,391
Government guaranteed school loans	60	84	60	84
Other loans and advances	54,745	72,378	54,745	72,378
Capitalised origination costs	3,444	2,771	3,444	2,771
	2,422,395	**2,235,624**	**2,422,395**	**2,235,624**
Provision for impairment	(2,533)	(3,313)	(2,533)	(3,313)
Net loans and advances	**2,419,862**	**2,232,311**	**2,419,862**	**2,232,311**

Notes to the financial statements

For the year ended 30 June 2021

As at 30 June 2021 the Consolidated Entity and Bank First predominantly had loans contractually maturing longer than 5 years.

b) By risk level

The following tables set out information in relation to credit quality of loans and advances by category of loss allowance.

	Bank First and Consolidated Entity			
	Stage 1 $000's	Stage 2 $000's	Stage 3 $000's	Total $000's
As at 30 June 2021				
Residential mortgages	2,354,193	9,953	-	2,364,146
Government guaranteed loans	60	-	-	60
Other loans and advances	53,168	892	685	54,745
Capitalised origination costs	3,444	-	-	3,444
Total	2,410,865	10,845	685	2,422,395
Provision for impairment	(779)	(615)	(599)	(1,993)
Economic Overlay	(343)	(144)	(53)	(540)
Net loans and advances	**2,409,743**	**10,086**	**33**	**2,419,862**
As at 30 June 2020				
Residential mortgages	2,146,241	14,144	-	2,160,384
Government guaranteed loans	84	-	-	84
Other loans and advances	70,657	683	1,045	72,385
Capitalised origination costs	2,771	-	-	2,771
Total	2,219,753	14,827	1,045	2,235,624
Provision for impairment	(1,360)	(570)	(684)	(2,613)
Economic Overlay	(700)	-	-	(700)
Net loans and advances	**2,217,693**	**14,257**	**361**	**2,232,311**

Bank First and the Consolidated Entity provided loan repayment deferral arrangements to customers impacted by COVID-19 in line with industry practice and regulatory requirements. The packages were offered to customers to provide short term cash flow support. During the deferral period interest is capitalised. The deferred loans were classified in Stage 1 at 30 June 2020 and in Stage 2 at 30 June 2021.

Sensitivity of provisions for impairment to credit quality assessment.

If 1% of Stage 1 credit exposures as at 30 June 2021 was transferred to Stage 2, provisions for impairment would increase by approximately $1,674k (30 June 2020: $831k).

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 30 June 2019	**557**	**605**	**206**	**1,368**
New and increased provisions	803	106	1,444	2,353
Change in stage classification	-	(142)	142	-
Write offs from specific provisions	-	-	(1,108)	(1,108)
Economic Overlay provision	700	-	-	700
Balance at 30 June 2020	**2,060**	**569**	**684**	**3,313**
Balance at 30 June 2020	**2,060**	**569**	**684**	**3,313**
Transferred to Stage 1	340	(116)	(224)	-
Transferred to Stage 2	-	63	(63)	-
Transferred to Stage 3	-	(59)	59	-
New and increased provisions	(920)	157	1,348	585
Write offs from specific provisions	-	-	(1,205)	(1,205)
Economic Overlay provision	(357)	144	53	(160)
Balance at 30 June 2021	**1,123**	**758**	**652**	**2,533**

The table above provides movements in the impairment provisions by expected credit loss (ECL) stage for the year ended 30 June 2021.

Notes to the financial statements

For the year ended 30 June 2021

- **New and increased provisions** reflect provision movements for new accounts, movements in balances and the net movement of loans between the stages during the period;
- **Change in stage classification** reflects a change in categorisation of certain loan products as stage 3 when past due 90 days based on review of historical loss information available;
- **Write-offs from specific provisions** reflects accounts written off when there is no reasonable expectation of recovery; and
- **Economic Overlay provision** reflects the economic uncertainty associated with COVID-19 and likely impact of additional impairment of loans to our normal impairment methodology.

d) Provision for impairment

	Bank First		Consolidated Entity	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	$000's	$000's	$000's	$000's
Individual balances identified as impaired	685	1,045	685	1,045
Individual impairment on the above	652	684	652	684
Collective impairment	1,881	2,629	1,881	2,629
	2,533	**3,313**	**2,533**	**3,313**

9. Due from controlled entities

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

10. Other assets

	Bank First		Consolidated Entity	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	$000's	$000's	$000's	$000's
Prepayments	778	645	943	748
Intangible assets	1,620	1,739	1,620	1,739
Other investments	5,310	4,940	1,605	1,330
	7,708	**7,324**	**4,168**	**3,817**

Other Investments held by the Consolidated Entity comprise investments in Indue Ltd. These are measured at fair value and fall under the Level 2 category of the fair value hierarchy as defined in Note 23. The fair value of $399 (2020: $381) per share is based on the internal valuation provided by Indue Ltd.

Intangible assets are made up of computer software.

11. Property, plant and equipment

	Bank First		Consolidated Entity	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	$000's	$000's	$000's	$000's
Cost or fair value at date of revaluation	35,300	35,218	55,526	54,844
Accumulated depreciation	(11,733)	(8,728)	(9,794)	(8,655)
Net carrying amount	**23,567**	**26,490**	**45,732**	**46,189**
Land and buildings	-	-	40,000	39,400
Office equipment	1,376	1,627	1,396	1,659
Furniture and fittings	240	252	936	1,141
Motor vehicles	519	888	519	888
Leasehold improvements	1,227	1,329	1,227	1,329
Right-of-use lease assets	20,205	22,394	1,654	1,772
Net carrying amount	**23,567**	**26,490**	**45,732**	**46,189**

Notes to the financial statements

For the year ended 30 June 2021

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 2021	30 June 2020	30 June 2021	30 June 2020
	$000's	$000's	$000's	$000's
Land and buildings				
Opening net carrying amount	-	-	39,400	36,931
Revaluation	-	-	1,421	3,274
Depreciation	-	-	(821)	(805)
Closing net carrying amount	**-**	**-**	**40,000**	**39,400**

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

Land and buildings if measured using the cost model	-	-	26,154	27,034

Fair value hierarchy

Land and buildings carried at revalued amount fall under the Level 2 category of the fair value hierarchy as defined in Note 23.

Valuation techniques used to derive Level 2 fair values

The Consolidated Entity engaged qualified valuers from Jones Lang LaSalle, to determine the fair value of its land and buildings. The valuation assumptions in respect of investment parameters, market growth outlook, and relating assumptions have sought to consider the impact of COVID-19 on economic conditions, albeit in an environment where significant market uncertainty exists. Due to the level of uncertainty that the COVID-19 outbreak has caused, the valuation is current at the date of the valuation only, which was 30 June 2021.

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

Valuation inputs

The following primary inputs have been used:

	Consolidated Entity	
	2021	2020
Capitalisation rate (%)	5.75	5.75
Terminal rate (%)	6.25	6.25
Discount rate (%)	6.50	6.50

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

A significant increase in the capitalisation, terminal or discount rates would result in lower fair value of land and buildings at fair value, while a 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 $40,000k as at 30 June 2021. The revaluation gain of $1,421k (2020: $3,274k) was booked to the asset revaluation reserve.

Notes to the financial statements

For the year ended 30 June 2021

	Bank First		Consolidated Entity	
	30 June 2021 $000's	30 June 2020 $000's	30 June 2021 $000's	30 June 2020 $000's
12. Deferred tax assets and liabilities				
The balance comprises temporary differences attributable to:				
Deferred tax assets				
Accruals not currently deductible	47	49	146	136
Deferred Income currently assessable	577	577	577	577
Provisions for impairment on loans	760	994	760	994
Provision for impairment on investments	71	-	71	-
Provisions and accruals for staff entitlements	1,703	1,800	1,703	1,800
Right-of-use lease assets	90	62	90	62
Amortisation of in-house software	412	-	412	-
Total deferred tax assets	**3,660**	**3,482**	**3,759**	**3,569**
Deferred tax liabilities				
Revaluation of equity investments	215	193	215	193
Carrying value of property, plant and equipment	36	71	4,130	3,736
Total deferred tax liabilities	**251**	**264**	**4,345**	**3,929**
13. Deposits and other borrowings				
Term deposits	899,164	927,816	899,164	927,816
Deposits on call	1,951,719	1,676,900	1,950,044	1,675,811
Withdrawable member shares	698	716	698	716
Securities sold under repurchase agreements	66,139	-	66,139	-
	2,917,720	**2,605,432**	**2,916,045**	**2,604,343**

Securities sold under repurchase agreements relate to funds drawn under the RBA's Term Funding Facility (TFF). The facility provides three-year secured funding at a fixed rate to ADIs. The funds are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method.

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

14. Trade and other payables				
Creditors and accruals	3,703	3,410	4,115	3,796
Settlement accounts	7,705	259	7,705	259
Accrued deposit interest	2,765	5,331	2,765	5,331
Lease liabilities	21,061	22,925	1,953	2,009
	35,234	**31,925**	**16,538**	**11,395**

15. Derivative financial instruments

The net movement on derivatives during the year was as follows:

	Bank First and Consolidated Entity	
	30 June 2021 $000's	30 June 2020 $000's
Net gain/(loss) on cash flow hedges reported in other comprehensive income	-	48
	-	**48**

There were no derivative financial instruments held by Bank First or the Consolidated Entity during the year ended 30 June 2021.

Notes to the financial statements

For the year ended 30 June 2021

16. Provisions

	Bank First		Consolidated Entity	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	$000's	$000's	$000's	$000's
Long service leave provision	3,488	4,091	3,488	4,091
Annual leave provision	1,767	1,691	1,767	1,691
	5,255	**5,782**	**5,255**	**5,782**

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 assets or recognised as an expense in the statement of comprehensive income.

Cash flow hedge reserve

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

Fair value reserve

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

Notes to the financial statements

For the year ended 30 June 2021

	Bank First		Consolidated Entity	
	30 June 2021 $000's	30 June 2020 $000's	30 June 2021 $000's	30 June 2020 $000's
18. Statement of cash flows				
Cash flows from operating activities:				
Net profit	11,559	9,010	11,942	9,364
Adjustments for:				
Net loss/(gain) on sale of non-current assets	(68)	9	(68)	9
Provisions for loan impairment	663	3,063	663	3,063
Depreciation/amortisation	2,003	2,283	3,029	3,296
Occupancy expenses (right-of-use lease asset depreciation)	2,189	2,188	117	117
Changes in assets and liabilities:				
(Increase)/decrease in accrued receivables	106	40	108	117
(Increase)/decrease in accrued interest	350	864	350	864
(Increase)/decrease in prepayments	(133)	(278)	(193)	(260)
(Increase)/decrease in deferred tax asset	(178)	(565)	(190)	(608)
Increase/(decrease) in trade creditors	293	(305)	319	(147)
Increase/(decrease) in settlement accounts	7,446	117	7,446	117
Increase/(decrease) in interest payable	(2,566)	(1,660)	(2,566)	(1,660)
Increase/(decrease) in provisions	(527)	457	(527)	457
Increase/(decrease) in income taxes payable	361	(584)	438	(461)
Increase/(decrease) in deferred tax liabilities	(35)	2	(32)	13
Net Cash from operating activities	**21,463**	**14,641**	**20,836**	**14,281**

19. Commitments and contingencies

a) Contingent liabilities

There were no contingent liabilities at 30 June 2021 (2020: Nil).

b) Credit commitments

Credit commitments are binding commitments to extend credit 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.

	Bank First 30 June 2021	Bank First 30 June 2020	Consolidated 30 June 2021	Consolidated 30 June 2020
Irrevocable:				
Approved but undrawn loans	70,143	66,249	70,143	66,249
Loans available for redraw	373,556	351,743	373,556	351,743
	443,699	417,992	443,699	417,992
Revocable:				
Undrawn line of credit and credit card commitments	76,716	81,543	76,716	81,543
Total credit commitments	**520,415**	**499,535**	**520,415**	**499,535**

All credit commitments are categorised within Stage 1 of the expected credit loss model. The allowance for the expected credit loss at 30 June 2021 is $65k and has been reported as a deduction against the loans and advances balance reported on the balance sheet.

c) Bank commitments

Bank First guarantees the performance of certain members by using 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 2021

d) Lease expenditure commitments

Bank First and the Consolidated Entity lease equipment and business continuity space on terms of up to 5 years. Future minimum lease expenditure commitments are as follows:

	Bank First		Consolidated Entity	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	$000's	$000's	$000's	$000's
Within 1 year	322	412	322	412
1 to 5 years	286	568	286	568
	608	**980**	**608**	**980**

Bank First leases a property at 117 Camberwell Road, Hawthorn East, from VTMB Properties Ltd under an operating lease expiring February 2023. Bank First and the Consolidated Entity lease a property at 126 Puckle Street, Moonee Ponds, under an operating lease expiring June 2035. With the application of AASB 16 Leases from 1 July 2019 both of these property leases have been recognised on the balance sheet and therefore are not disclosed as lease commitments.

e) Lease income receivables

The Consolidated Entity leases out part of one property under a non-cancellable operating lease expiring June 2023. Future minimum rental receivables are as follows:

	Bank First		Consolidated Entity	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	$000's	$000's	$000's	$000's
Within 1 year	-	-	897	887
1 to 5 years	-	-	906	1,782
	-	**-**	**1,803**	**2,669**

20. Auditor's remuneration

	Bank First		Consolidated Entity	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	$000's	$000's	$000's	$000's
Audit fees and audit related fees				
Fees for audit of the complete set of financial statements	153	169	153	169
Securitisation reviews	31	35	31	35
Other audit related fees	39	-	39	-
Total audit and audit related fees	223	204	223	204
All other fees				
Tax related services	30	39	30	39
Other services	-	76	-	76
Total other fees	30	115	30	115
Total auditor's remuneration	**253**	**319**	**253**	**319**

Notes to the financial statements

For the year ended 30 June 2021

21. Director and executive disclosures

a) Details of Key Management Personnel

(i) Directors

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

B. Lloyd	J. Dawson	G. Willis
S. Terry	M. Monester	J. Crowe
M. Devadason		

(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:

M. Bagnall - Chief Executive Officer (commenced 1 Feb 2021)

W. Wolke - Chief Executive Officer (retired 30 Oct 2020)

A. Alsbury - Chief Strategy & Marketing Officer (ceased 14 May 2021)

G. Borg - Chief People & Culture Officer

D. Percival - Chief Financial Officer

M. Ricker - Chief Distribution Officer

M. Thomson - Chief Technology Officer

E. Torelli - Chief Risk Officer (resigned 22 Jan 2021)

A. Hill - Chief Risk Officer (commenced 28 Jun 2021)

b) Aggregate Compensation of Key Management Personnel

	Bank First		Consolidated Entity	
	30 June 2021	**30 June 2020**	**30 June 2021**	**30 June 2020**
	$000's	**$000's**	**$000's**	**$000's**
Short-term employee benefits	3,114	3,296	3,114	3,296
Post-employment benefits - superannuation contributions	193	200	193	200
Other long-term benefits - long service leave	74	62	74	62
Termination benefits	369	-	369	-
Total	**3,750**	**3,558**	**3,750**	**3,558**

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 Annual Wage Price Index for the September quarter to the remuneration paid for the preceding year.

	Bank First		Consolidated Entity	
	30 June 2021	**30 June 2020**	**30 June 2021**	**30 June 2020**
	$000's	**$000's**	**$000's**	**$000's**
Aggregate remuneration paid to Directors	588	537	588	537

Notes to the financial statements

For the year ended 30 June 2021

d) Transactions with Key Management Personnel

	Bank First		Consolidated Entity	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	$000's	$000's	$000's	$000's
Loans:				
New loans advanced	2,017	216	2,017	216
Repayments	(2,731)	(926)	(2,731)	(926)
Interest and fees	136	199	136	199
Balance owing	4,755	5,333	4,755	5,333
Revolving credit facilities:				
Total value extended	51	51	51	51
Balance owing	1	2	1	2
Loan and revolving credit services:				
Balance owing	**4,756**	**5,335**	**4,756**	**5,335**
Savings and term deposit services:				
Amounts deposited	**3,576**	**2,420**	**3,576**	**2,420**

Loans and revolving 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 credit facility is impaired and no loan or credit facility has been written off as a bad debt.

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

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

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

e) Shareholdings

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

22. Financial risk management

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

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

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 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 2021

Risk management structure

Board of Directors:

The Board of Directors is responsible for the Bank's risk management framework and for oversight of its operation by management. This includes setting the Bank's risk appetite, approving the risk appetite statement and risk management strategy, forming a view of risk culture within the Bank, and ensuring management appropriately monitor and manage all material risks.

Risk Committee:

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

Audit Committee:

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

Risk & Compliance Management Function:

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

Asset & Liability Committee (ALCO):

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

Internal Audit:

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

a) Credit risk management

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

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

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

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

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

Notes to the financial statements

For the year ended 30 June 2021

(i) Exposure to credit risk

The table below shows the maximum exposure to credit risk before taking into account any collateral or other credit enhancements.

		Bank First		Consolidated Entity	
		30 June 2021	30 June 2020	30 June 2021	30 June 2020
	Notes	$000's	$000's	$000's	$000's
Cash and cash equivalents	5	120,373	108,541	120,373	108,541
Trade and other receivables	6	565	1,021	645	1,103
Investments with banks	7	561,129	431,552	561,129	431,552
Investments with non-bank ADIs	7	33,456	31,645	33,456	31,645
Loans secured by real estate mortgages	8	2,367,590	2,163,162	2,367,590	2,163,162
Government guaranteed loans	8	60	84	60	84
Other loans and advances	8	54,745	72,378	54,745	72,378
Due from controlled entities	9	23,749	24,437	-	-
Other investments	10	5,310	4,940	1,605	1,330
		3,166,977	**2,837,760**	**3,139,603**	**2,809,795**
Irrevocable credit commitments	19	443,699	417,992	443,699	417,992
Total credit risk exposure		**3,610,676**	**3,255,752**	**3,583,302**	**3,227,787**

(ii) Collateral and other credit enhancements

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

Goods mortgages are held as collateral over certain other loans and advances, primarily motor vehicle loans, totalling $23.6m (2020: $28.4m) but the realisable or fair value of the related assets is impracticable to determine.

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

Loan receivables are largely secured by physical property and advanced on a conservative Loan to Value Ratio (LVR) portfolio allocation basis. Lenders Mortgage Insurance is generally taken out for any residential mortgages with a LVR in excess of 80%. At the end of the reporting period, the weighted average LVR (measured as current exposure divided by recorded collateral value) on mortgage loans is: 65.56% (2020: 65.53%). Accordingly, the financial effect of these measures is that remaining credit risk on loans receivable is very low. Some lending products are unsecured (e.g. personal loans). The Consolidated Entity manages its exposure to these unsecured products by making an internal assessment in relation to the credit quality of the customer, taking into account their financial position, past experience and other factors. For financial (liquid) investments, only those securities assessed as being of at least a satisfactory credit grade are accepted.

Notes to the financial statements

For the year ended 30 June 2021

(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 loans and advances by geographic location is provided below.

	Bank First		Consolidated Entity	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
Victorian residents	75%	82%	75%	82%
Other Australian and overseas residents	25%	18%	25%	18%
	100%	**100%**	**100%**	**100%**

(iv) Credit quality

Information on the credit quality of the loan portfolio for Bank First and the Consolidated Entity is shown in Note 8(b).

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

		Bank First		Consolidated Entity	
Standard & Poors or equivalent rating		30 June 2021	30 June 2020	30 June 2021	30 June 2020
Long -term	**Short-term**	$000's	$000's	$000's	$000's
Banks					
AA- to AA	A1+	70,485	70,005	70,485	70,005
A- to A+	A2 to A1	238,038	162,029	238,038	162,029
BBB- to BBB+	A3 to A2	129,102	153,013	129,102	153,013
Unrated	Unrated	123,504	46,505	123,504	46,505
Credit unions and building societies					
BBB- to BBB+	A2	13,500	24,428	13,500	24,428
Indue Ltd					
Unrated	Unrated	19,956	7,217	19,956	7,217
		594,585	**463,197**	**594,585**	**463,197**
By type of investment					
Negotiable certificates of deposit		182,322	113,583	182,322	113,583
Term deposits		51,956	42,217	51,956	42,217
Fixed rate notes and floating / variable rate notes		360,307	307,397	360,307	307,397
		594,585	**463,197**	**594,585**	**463,197**

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

Notes to the financial statements

For the year ended 30 June 2021

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

The table below shows the ageing analysis of past due and impaired loans (excluding loans under credit hardship arrangements) and is grouped according to credit risk exposure under AASB.

	Note	0-30	Past due days 30-90	Over 90 days	Total
		$000's	$000's	$000's	$000's
2021					
Loans secured by real estate mortgages (Stage 2)		-	1,805	2,104	3,909
Other loans and advances (Stage 2)		-	593	-	593
Loans considered individually impaired (Stage 3)	8	-	-	685	685
		-	**2,398**	**2,789**	**5,187**
2020					
Loans secured by real estate mortgages (Stage 2)		-	2,319	3,025	5,344
Other loans and advances (Stage 2)		-	580	20	600
Loans considered individually impaired (Stage 3)	8	-	115	929	1,044
		-	**3,014**	**3,974**	**6,988**

b) Market risk - Interest rate risk

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

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

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

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

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

Sensitivity to interest rate risk:

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

Notes to the financial statements

For the year ended 30 June 2021

	Interest rate movement Bank First and Consolidated Entity			
	+1% 2021 $000's	+1% 2020 $000's	-1% 2021 $000's	-1% 2020 $000's
Post Tax Earnings at risk	(2,134)	(3,639)	186	546

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.

c) Liquidity risk

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

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

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

The Consolidated Entity is required by APRA to maintain at least 9% of total adjusted liabilities as Minimum Liquidity Holdings (MLH). MLH includes deposits held with other Authorised Deposit Taking Institutions capable of being converted to cash within 2 business days under APRA prudential standards. The Consolidated Entity policy is to maintain at least 12% as MLH. The MLH ratio at 30 June 2021 was 18.28% (2020: 16.41%).

Maturity profile of financial liabilities

The tables below summarise the maturity profile of Bank First and Consolidated Entity's financial liabilities at balance sheet 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.

	On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	>5 years	Total
	$000's	$000's	$000's	$000's	$000's	$000's	$000's
2021							
Deposits and other borrowings	1,952,198	176,708	296,051	360,953	131,810	-	2,917,720
Trade and other payables	-	12,111	1,226	2,520	6,537	12,840	35,234
	1,952,198	**188,819**	**297,277**	**363,473**	**138,347**	**12,840**	**2,952,954**
2020							
Deposits and other borrowings	1,677,616	177,892	303,551	371,025	75,348	-	2,605,432
Trade and other payables	-	4,849	2,056	3,526	5,519	15,975	31,925
	1,677,616	**182,741**	**305,607**	**374,551**	**80,867**	**15,975**	**2,637,357**

Notes to the financial statements

For the year ended 30 June 2021

Consolidated Entity	On demand $000's	Within 1 month $000's	1 to 3 months $000's	3 months to 1 year $000's	1 to 5 years $000's	> 5 years $000's	Total $000's
2021							
Deposits and other borrowings	2,016,662	176,708	296,051	360,953	65,671	-	2,916,045
Trade and other payables	-	12,368	921	1,158	549	1,542	16,538
	2,016,662	**189,076**	**296,972**	**362,111**	**66,220**	**1,542**	**2,932,583**
2020							
Deposits and other borrowings	1,676,527	177,892	303,551	371,025	75,348	-	2,604,343
Trade and other payables	-	5,081	1,754	2,175	652	1,733	11,395
	1,676,527	**182,973**	**305,305**	**373,200**	**76,000**	**1,733**	**2,615,738**

Notes to the financial statements

For the year ended 30 June 2021

Maturity profile of commitments

The table below shows the contractual expiry of Bank First and Consolidated Entity credit commitments. The contractual expiry of Bank First and Consolidated Entity 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.

Credit Commitments	Within 1 year	More than 1 year	Total
	$000's	$000's	$000's
2021			
Approved but undrawn loans	70,143	-	70,143
Undrawn line of credit and credit card commitments	-	76,716	76,716
Loans available for redraw	-	373,556	373,556
	70,143	**450,272**	**520,415**
2020			
Approved but undrawn loans	66,249	-	66,249
Undrawn line of credit and credit card commitments	-	81,543	81,543
Loans available for redraw	1	351,742	351,743
	66,250	**433,285**	**499,535**

Geographic concentration of members' deposits

	Bank First		Consolidated Entity	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
Victorian residents	93%	93%	93%	93%
Other Australian and overseas residents	7%	7%	7%	7%
	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.

Other than derivatives being categorised in level 2, all other financial assets and financial liabilities measured at fair value are categorised in level 3.

Notes to the financial statements

For the year ended 30 June 2021

24. Regulatory Capital

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

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

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

The capital ratio can be affected by growth in assets relative to growth in retained earnings and by changes in the quality and mix of assets. The Consolidated Entity manages capital through reviewing the ratio monthly and monitoring major movements in asset levels. Further, capital projections are undertaken 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 manage its business risks and to maximise Member value.

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

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

The Consolidated Entity manages as capital the following:

	Consolidated Entity	
	30 June 2021	**30 June 2020**
	$000's	**$000's**
Comprehensive income & other Reserves	227,386	217,819
Current year retained earnings	11,942	9,364
Common Equity Tier 1 Capital (CET1) before regulatory adjustments	**239,328**	**227,183**
Capitalised expenses and intangibles	(5,069)	(4,515)
Equity exposures to other financial institutions	(1,605)	(1,330)
Common Equity Tier 1 Capital (CET1)	**232,654**	**221,338**
Tier 1 Capital	**232,654**	**221,338**
Total Tier 2 Capital	8,089	7,947
Total Regulatory Capital	**240,743**	**229,285**
Risk weighted exposures	**1,531,561**	**1,467,986**
Capital adequacy ratio (%)	**15.72**	**15.62**

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 the Bank First website.

Notes to the financial statements

For the year ended 30 June 2021

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial reports of Victoria Teachers Limited trading as Bank First (the "Company") and its subsidiaries (the "Group") which comprise the Group and the Company's statements of financial position as at 30 June 2021 ,the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- Giving a true and fair view of the Group and the Company's financial position as at 30 June 2021 and of their financial performance for the year then ended; and
- Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group and Company's annual report for the year ended 30 June 2021 but does not include the financial reports and our auditor's report thereon.

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

In connection with our audit of the financial reports, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial reports or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have

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performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Reports

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

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

Auditor's Responsibilities for the Audit of the Financial Reports

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

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

- Identify and assess the risks of material misstatement of the financial reports, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group or the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial reports or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Company to cease to continue as going concerns.

- Evaluate the overall presentation, structure and content of the financial reports, including the disclosures, and whether the financial reports represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Deloitte Touche Tohmatsu

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M Stretton

Mark Stretton
Partner
Chartered Accountants

Melbourne, 28 September 2021

RECYCLED

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