Annual Report

2023

Full Financial Statements

bank first

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2023 ANNUAL REPORT
Corporate Information

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

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

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

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

Corporate Governance

The Board of Directors (the Board), the Chief Executive Officer and Executive Management 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 acts ethically and with integrity.

The Board has agreed that Bank First will be bound by the Co-operative and Mutual Enterprise Governance Principles as adapted from the Australian Securities Exchange (ASX) Corporate Governance Principles. The Principles mandate best practice corporate governance and mechanisms while maintaining Member interests at the forefront of decision-making.

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's 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 several 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 Chief Executive Officer and the Executive Management Team.

Board Composition

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

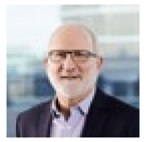
The Bank First Board is currently comprised of seven Directors. The Constitution supports a composition mix of both Member elected and Board appointed Directors provided that a majority of the Directors are Member elected.

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

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.

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, Dip Ed, 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
	**Stephen Cornelissen AM**	BN, MHA, GC Lead & Catholic Culture, PGDipSI, FAICD Director since 2022	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
	**Kevin Dupé**	B.Econ, FGIA, FAICD Director since 2023	Non-Executive Director
	**Michael Monester**	LLB, B. Juris., FAICD Director since 2010, resigned 2022	Non-Executive Director
	**Emily McGrath**	B.Hons Law, AGIA, AGRCI, AAICD Company Secretary since 2018	Company Secretary

Director Independence

All of Bank First's Directors have been assessed as independent. 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.

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

Both the collective Board, and each Director individually may seek independent professional advice at Bank First's expense to assist them to 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, and 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.

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.

Bank First has procedures for resolving complaints from Members in line with the Customer Owned Banking Code of Conduct and is a member of the independent Australian Financial Complaints Authority who supports resolution of complaints which we cannot resolve internally.

Qualifications and Training

Bank First Directors are required 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 on page 3.

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

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

Board and Director Performance Evaluations

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

Bank First complies with APRA Prudential Standards CPS 510 Governance and CPS 520 Fit and Proper which require 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 Directors and Executive Management of Bank First, must generally be assessed prior to their initial appointment and then re-assessed annually.

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 maintains a Remuneration Policy for Bank staff. The remuneration of the Directors, the Chief Executive Officer and executive managers is overseen by the Governance, Culture, Remuneration and Accountability Committee.

Further information in relation to the remuneration of Directors, the Chief Executive Officer 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:

1. Constitution;
2. Board Charter;
3. Governance, Culture, Remuneration and Accountability Committee Charter;
4. Risk Committee Charter;
5. Audit Committee Charter; and
6. Regulated Persons 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), Stephen Cornelissen, Judith Crowe and Graeme Willis.

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 Kevin Dupé.

The purpose of the Risk Committee is to assist the 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, risk culture 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: Mark Devadason (Chairperson), Judith Crowe, Bernadette Lloyd and Graeme Willis.

This Committee assists the Board by developing, reviewing and making recommendations on governance policies, practices and processes. It provides Board representation on matters directly impacting Members and key stakeholders. This Committee also assists the Board in fulfilling its obligations and responsibilities with respect to the effective management of and adherence to APRA's remuneration standards including those set out under the Banking Executive Accountability Regime. The Committee is also responsible for ensuring that candidates standing for election or appointment to the Board meet the requirements of the Constitution, APRA prudential requirements and Bank First's Regulated Persons Policy.

Corporate Citizenship

Bank First seeks to be a trusted and responsible corporate citizen through initiatives that give back to education, nursing and allied health communities, 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 direct Member emails, letters, e-Slate and Slate newsletters, Annual Review and Annual Financial Report, Chair and Chief Executive Officer addresses to the Annual General Meeting, Bank First's website, Bank First's social media channels and by providing other contact points for Members to make enquiries with Bank First.

Corporate Governance

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

Whistleblower Protection

Bank First has established a Whistleblower Policy aimed at providing a safe environment for employees, Directors, associates of the company or a spouse, relative or dependent to voice genuine concerns in relation to legislative, regulatory and code breaches, financial misconduct, impropriety, fraud and criminal activity.

The Whistleblower Policy is publicly available on the Bank First website.

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, each year.

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 the Bank First website.

Compliance Program

Bank First has comprehensive compliance management programs in support of:

1. Bank First's Australian Financial Services Licence and Australian Credit Licence obligations;
2. Bank First's obligations as an Authorised Deposit-taking Institution;
3. Customer Owned Banking Code of Practice;
4. Anti-Money Laundering Counter-Terrorist Financing legislation;
5. ePayments Code
6. Corporate compliance policies and procedures; and
7. Statutory and regulatory requirements.

Risk Management

The Board oversees and provides stewardship for Bank First through establishing, approving and monitoring the purpose, values, strategy, risk management framework/strategy, risk appetite, delegations, capital adequacy, corporate governance (including policies) and approving financial and market disclosures.

Bank First maintains a risk management framework that is appropriate for the size, complexity, services, and nature of its business model and is reflective of our strategic plan and objectives. The framework components work together to support the achievement of Bank First's Strategic Plan and appropriately govern and manage our business in line with our risk appetite.

From Board to branch to back office, everyone at Bank First has a role in managing risk. We understand that it is just as critical to have enterprise-wide role clarity for risk and control management as it is for our processes and functions.

Process (or functional) accountabilities are articulated through various artefacts such as Accountability Statements (for Directors and executives) and team members' job descriptions. Risk accountabilities more broadly are described through the frame of the three lines of accountability model and described specifically in policies and procedures.

The Chief Risk Officer is responsible for the risk management function and framework. The Chief Risk Officer is involved in, and has the authority to provide effective challenge to activities and decisions that may materially affect Bank First's risk profile or risk appetite. The Chief Risk Officer will be independent from business lines, other revenue generating responsibilities and the Finance function. The Chief Risk Officer holds a direct reporting line to the Chief Executive Officer, and has regular and unfettered access to the Board and the Board Risk Committee.

Internal and External Audit

The Internal Audit function provides an independent assurance function. The internal audit plan is approved by the Board Audit Committee. The Head of Internal Audit reports to the Board Audit Committee and to the Chief Risk Officer for day-to-day operational issues as appropriate.

Bank First's 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, fulfils 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 2022/23

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 review		Audit Committee		GRCA Committee*		Risk Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Bernadette Lloyd	12	12	4	4	7	7	7	7
Stephen Cornelissen	6	6	2	2	-	-	-	-
Judith Crowe	12	10	4	2	4	4	-	-
Joanne Dawson	12	12	4	4	-	-	7	6
Mark Devadason	12	11	-	-	4	4	-	-
Kevin Dupé	6	6	-	-	-	-	2	2
Graeme Willis	12	11	4	4	4	2	7	7
Michael Monester	5	5	-	-	-	-	4	4

	Strategic Information Sessions		Strategic Planning Session		Nominations Committee		Total	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Bernadette Lloyd	2	2	1	1	-	-	30	30
Stephen Cornelissen	2	0	1	1	-	-	11	9
Judith Crowe	2	2	1	1	-	-	23	19
Joanne Dawson	2	2	1	1	-	-	26	25
Mark Devadason	2	2	1	1	-	-	26	24
Kevin Dupé	1	1	1	1	-	-	10	10
Graeme Willis	2	2	1	1	-	-	30	27
Michael Monester	-	-	-	-	-	-	9	9

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 mentor.

* Governance, Culture, Remuneration and Accountability Committee

Executive Management

The Executive Managers of Bank First as at the date of this report (19 September 2023).

Michelle Bagnall MBA, Bachelor of Business, GAICD, SFFin

Chief Executive Officer

Michelle brings more than 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 and a Bachelor of Business. She has held Executive Director positions on the boards of Suncorp Superannuation Trustee and RACQ Financial Planning Pty Ltd and is currently on the board of VTMB Properties Pty Ltd.

Alison Hill BCom/Law, CPA, CIA

Chief Risk Officer

Alison brings more than 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. Alison is a member of CPA Australia, Institute of Internal Auditors, and Risk Management Institute Australia.

Ashley Hood BCom FFin

Chief Operations Officer

Ashley is a banker with more than 30 years' experience. Prior to joining Bank First, Ashley was Chief Operations Officer of Beyond Bank Australia, CEO of Nexus Mutual and held senior executive roles at Bendigo and Adelaide Bank. 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).

Nicky Konstantinou BCom, Chartered Accountant

Interim Chief Financial Officer

Nicky joined Bank First in July 2022 and has more than 20 years' experience in the financial services industry. Nicky is responsible for the Bank's finance, treasury, property and procurement functions and is the Chair of the Bank's Assets and Liabilities Committee (ALCO). Nicky is a Chartered Accountant and has a Bachelor of Commerce.

Louise Marshall Bachelor of Business, MAICD

Chief People and Culture Officer

Louise joined Bank First in July 2023 and has extensive experience in people and culture leadership nationally and internationally. She has led the people and culture function in a variety of industries including professional services, manufacturing, entertainment and e-commerce. Louise is a member of the Australian Institute of Company Directors and the International Coaching Federation.

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 and has more than 20 years of experience in banking. Simone is a member of FINSIA and has previously held a Non-Executive position on the EFTPOS board.

Director report

Your Directors submit their report for Victoria Teachers Limited trading as Bank First for the year ended 30 June 2023.

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 $6,702k (2022: $9,008k). The consolidated net profit after related income tax expense for the Consolidated Entity was $6,692k (2022: $9,480k).

In preparing the financial statements for year ended 30 June 2023, management has carefully considered the impact of a variety of economic factors. This includes the potential uncertainty of economic outlook, global supply chain disruption, heightened geo-political tensions, labour shortages together with a rising interest rate environment and inflationary pressures.

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 245 employees as at 30 June 2023 (2022: 231).

Auditor independence and audit services

The Directors received the declaration from the Auditors of Bank First and this is presented on page 10 of the Annual Report and forms part of this Directors' Report.

Indemnification and insurance of Directors and Officers

Bank First has paid premiums in respect of Directors and Officers Liability insurance and associated legal expenses insurance. Disclosure of the nature of the liabilities insured against 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.

Events subsequent to balance date

In the opinion of the Directors, there are no transactions or events of a material nature likely to significantly affect 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.

Bernie

Bernadette Lloyd
Chair

Melbourne
19 September 2023

Deloitte.

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The Board of Directors
Victoria Teachers Limited
117 Camberwell Road
Hawthorn East ,Victoria 3123

19 September 2023

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 2023, 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

Lani Cockrem

Lani Cockrem
Partner
Chartered Accountants

Directors' declaration

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

a. In the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; 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

Bernie

Bernadette Lloyd
Chair

Melbourne
19 September 2023

Statement of profit or loss and other comprehensive income

For the year ended 30 June 2023

		Bank First		Consolidated Entity	
		30-Jun 2023	30-Jun 2022	30-Jun 2023	30-Jun 2022
	Notes	$000s	$000s	$000s	$000s
Interest income	3(a)	121,801	66,688	120,662	65,517
Interest expense	3(b)	56,320	9,354	56,288	9,351
Net interest income		**65,481**	**57,334**	**64,374**	**56,166**
Other operating income	3(c)	9,537	9,680	10,497	10,540
Write-back of provision	3(d)	-	91	-	91
Net operating income before expenses		**75,018**	**67,105**	**74,871**	**66,797**
Less					
Salaries and related expenses		37,047	28,836	37,047	28,836
Member access and statement expenses		7,730	6,967	7,730	6,967
Administration expenses		7,657	5,399	7,718	5,399
Impairment loss of assets		5	63	61	63
Depreciation and amortisation		1,730	1,955	2,708	2,979
Information technology costs		6,590	5,448	6,590	5,448
Occupancy expenses		2,400	3,282	1,161	1,276
Marketing expenses		1,976	2,308	1,988	2,308
Charge for impairment	3(d)	294	-	294	-
Total operating expenses		**65,429**	**54,258**	**65,297**	**53,276**
Profit for the year before income tax		**9,589**	**12,847**	**9,574**	**13,521**
Income tax expense	4	2,887	3,839	2,882	4,041
Net profit for the year		**6,702**	**9,008**	**6,692**	**9,480**
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		215	224	215	224
Net gains/(losses) on cash flow hedges taken to equity	15	636	365	636	365
Total other comprehensive income		**851**	**589**	**851**	**589**
Total comprehensive income for the year		**7,553**	**9,597**	**7,543**	**10,069**

Statement of financial position

As at 30 June 2023

		Bank First		Consolidated Entity	
		30-Jun 2023	30-Jun 2022	30-Jun 2023	30-Jun 2022
	Notes	$000s	Restated $000s	$000s	Restated $000s
Assets					
Cash and cash equivalents	5	141,225	117,200	141,225	117,200
Trade receivables	6	-	-	46	377
Investments	7	539,401	733,502	535,545	729,660
Loans and advances	8	2,919,026	2,483,449	2,919,026	2,483,449
Due from controlled entities	9	22,480	23,130	-	-
Derivative financial instruments	15	1,465	522	1,465	522
Property, plant and equipment	11	2,046	2,300	41,078	42,215
Deferred tax assets	12	3,220	3,346	3,199	3,135
Intangibles and other assets	10	7,306	3,168	7,922	3,293
Right-of-use lease assets	11	12,249	18,016	1,419	1,537
Income tax receivable		1,227	1,058	1,048	1,048
Total Assets		**3,649,645**	**3,385,691**	**3,651,973**	**3,382,436**
Liabilities					
Deposits and other borrowings	13	3,368,591	3,105,060	3,366,144	3,103,220
Trade and other payables	14	23,698	30,924	12,840	13,822
Derivative financial instruments	15	-	90	-	90
Income tax payable		-	-	-	-
Provisions	16	4,354	4,554	4,354	4,554
Deferred tax liabilities	12	864	480	4,967	4,624
Total Liabilities		**3,397,507**	**3,141,108**	**3,388,305**	**3,126,310**
Net Assets		**252,138**	**244,583**	**263,668**	**256,126**
Equity					
Reserves		252,138	244,583	263,668	256,126
Total Equity		**252,138**	**244,583**	**263,668**	**256,126**

Statement of changes in equity

For the year ended 30 June 2023

	General reserve	Asset revaluation reserve	Reserve for credit losses	Cash flow hedge reserve	Fair value reserve	Total
	$000s	$000s	$000s	$000s	$000s	$000s
Bank First						
Balance at 30 June 2021	**228,185**	**87**	**6,729**	**-**	**(15)**	**234,986**
Profit for the period	9,008	-	-	-	-	9,008
Other comprehensive income	-	-	-	365	224	589
Total comprehensive income	**9,008**	**-**	**-**	**365**	**224**	**9,597**
Transfer to/(from) reserve for credit losses	103	-	(103)	-	-	-
Balance at 30 June 2022	**237,296**	**87**	**6,626**	**365**	**209**	**244,583**
Balance at 30 June 2022	**237,296**	**87**	**6,626**	**365**	**209**	**244,583**
Profit for the period	6,702	-	-	-	-	6,702
Other comprehensive income	-	-	2	636	215	853
Total comprehensive income	**6,702**	**-**	**2**	**636**	**215**	**7,555**
Transfer to/(from) reserve for credit losses	6,628	-	(6,628)	-	-	-
Balance at 30 June 2023	**250,626**	**87**	**-**	**1,001**	**424**	**252,138**
Consolidated Entity						
Balance at 30 June 2021	**231,681**	**7,662**	**6,729**	**-**	**(15)**	**246,057**
Profit for the period	9,480	-	-	-	-	9,480
Other comprehensive income	-	-	-	365	224	589
Total comprehensive income	**9,480**	**-**	**-**	**365**	**224**	**10,069**
Transfer to/(from) reserve for credit losses	103	-	(103)	-	-	-
Asset Revaluation	-	-	-	-	-	-
Balance at 30 June 2022	**241,264**	**7,662**	**6,626**	**365**	**209**	**256,126**
Balance at 30 June 2022	**241,264**	**7,662**	**6,626**	**365**	**209**	**256,126**
Profit for the period	6,692	-	-	-	-	6,692
Other comprehensive income	-	-	-1	636	215	850
Total comprehensive income	**6,692**	**-**	**-1**	**636**	**215**	**7,542**
Transfer to/(from) reserve for credit losses	6,625	-	(6,625)	-	-	-
Balance at 30 June 2023	**254,581**	**7,662**	**-**	**1,001**	**424**	**263,668**

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 2023

		Bank First		Consolidated Entity	
		30-Jun 2023	30-Jun 2022	30-Jun 2023	30-Jun 2022
	Notes	$000s	Restated $000s	$000s	Restated $000s
Cash flows from operating activities					
Inflows					
Interest received		119,914	65,597	118,775	64,442
Net increase in deposits		252,739	185,434	252,132	185,273
Dividends received		38	30	38	30
Bad debts recovered		108	166	108	166
Other operating income		10,230	10,386	11,861	11,253
Total inflows		**383,029**	**261,613**	**382,914**	**261,164**
Outflows					
Interest paid		(45,618)	(9,904)	(45,587)	(9,901)
Net increase in loans		(435,857)	(63,825)	(435,857)	(63,825)
Salaries and related expenses		(37,247)	(29,537)	(37,247)	(29,537)
Other payments in the course of operations		(29,733)	(22,058)	(30,365)	(22,592)
Income tax paid		(2,921)	(4,992)	(2,977)	(5,085)
Total outflows		**(551,376)**	**(130,316)**	**(552,033)**	**(130,940)**
Net cash flows provided by operating activities	18	**(168,347)**	**131,297**	**(169,119)**	**130,224**
Cash flows from investing activities					
Net movement in investments		196,150	(131,775)	196,164	(131,775)
Net movement in equity investments		-	(94)	-	-
Payments for property, plant and equipment		(490)	(390)	(587)	(613)
Proceeds from sale of property, plant and equipment		-	532	-	532
Net decrease/(increase) in loans due from controlled entities		650	619	-	-
Payments for intangible assets		(2,366)	(1,477)	(2,366)	(1,477)
Net cash flows used in investing activities		**193,944**	**(132,585)**	**193,211**	**(133,333)**
Cash flows from financing activities					
Payment of principal portion of lease liabilities		(1,572)	(1,885)	(67)	(64)
Net cash flows used in financing activities		**(1,572)**	**(1,885)**	**(67)**	**(64)**
Net (decrease)/increase in cash and cash equivalents		24,025	(3,173)	24,025	(3,173)
Cash and cash equivalents at the beginning of the period		117,200	120,373	117,200	120,373
Cash and cash equivalents at the end of the period		**141,225**	**117,200**	**141,225**	**117,200**

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Notes to the financial statements

For the year ended 30 June 2023

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 will be 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 is prepared on a going concern basis and for-profit basis using a historical cost basis, except for land and buildings, derivatives and equity investments which are measured at fair value.

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

b. Statement of compliance

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

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

Future Accounting Developments

- AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between and Investor and its Associate or Joint Venture – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections – No Impact
- AASB 2020-1 and AASB 2020-6 - Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current. The amendments to AASB 101 Presentation of Financial Statements affect only the presentation of liabilities as current or non-current and not the amount or timing of recognition or the information disclosed about those items.
- The International Sustainability Standards Board has issued two exposure drafts that are expected to result in new International Financial Reporting Standards that will be effective in future periods, yet to be determined. The impact of these exposure drafts has not been assessed at this point, but the coverage would include:
  - Exposure Draft IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information – requiring sustainability related disclosures to be published at the same time as financial statements
  - Exposure Draft IFRS S2 Climate-related Disclosures with the proposed objective to disclose information about an entity's climate related risk and opportunities.

c. Basis of consolidation

The consolidated financial statements will comprise the financial statements of Victoria Teachers Limited (Bank First) its subsidiary VTMB Properties Pty Ltd and a special purpose entity Victoria Teachers Trust Series 2012-1 (the "Series") as at 30 June each year (the Consolidated Entity).

The financial statements of the subsidiaries will be 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 profit and losses resulting from intra-group transactions will be eliminated in full. Subsidiaries will be 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.

Investments in subsidiaries held by Bank First will be accounted for at cost in the accounts of Bank First. Dividends, if applicable, received from subsidiaries are recorded as a component of other revenues in the separate income statement of Bank First as the parent entity, and do not impact the recorded cost of the investment. Upon receipt of dividend payments from subsidiaries, Bank First 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.

Residential Mortgage Securitisation Program

The Consolidated Entity currently engages in a securitisation program (Victoria Teachers Trust Series 2012-1). The principal activity of the Victoria Teachers Trust Series 2012-1 is to act as the Special Purpose Entity in relation to an internal securitisation for the purpose of liquidity contingency for Bank First.

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

d. Impact of economic outlook

Management have carefully considered the impact of a variety of economic factors in preparing the financial statements for the year ended 30 June 2023, including slowing economic growth, inflationary pressures, rising interest rates and increasing wage and salary levels. These factors have been taken into consideration in our assumptions driving the forward-looking view of the provisions for impairment of loans and advances.

e. Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements. Management will continually evaluate its judgments and estimates in relation to assets, liabilities, revenue and expenses. The judgments 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.

The following critical accounting policies for which significant judgments, estimates and assumptions made are:

- provision for Impairment of loans and advances – refer to Note 1k;
- expected life of the loan – refer to Note 1f; and
- revaluation of land and buildings – refer to Note 11.

f. Revenue recognition

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

Interest revenue

Revenue is to be 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 amortised cost base as loans and advances in the balance sheet representing the recoverable amount.

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) and Upfront Broker commissions will initially be deferred as part of the loan balance and will be brought to account as income (or expense) over the expected life of the loan. The amounts brought to account will be included as part of interest revenue.

Other operating income

The Consolidated Entity recognises revenue in accordance with AASB 15 both at a point in time and over time to depict the transfer of promised goods or services to customers for an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

g. Leases

The Group as lessee

The Group assesses whether a contract is, or contains, a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones).

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of the Group and the lease does not benefit from a guarantee from the Group.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease; and
- the lease liability which is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used; and

Notes to the financial statements

For the year ended 30 June 2023

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the "Operating expenses" section in the statement of profit or loss and other comprehensive income.

As a practical expedient, AASB 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to its property.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Subsequent to initial recognition, the Group regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of AASB 9, recognising an allowance for expected credit losses on the lease receivables.

Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which interest income is calculated with reference to their amortised cost (i.e. after a deduction of the loss allowance).

When a contract includes both lease and non-lease components, the Group applied AASB 15 to allocate the consideration under the contract to each component.

h. Income tax and other taxes

Income tax on the statement of profit or loss and other comprehensive income for the year comprises current and deferred tax.

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

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

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

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

Tax consolidation

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

The allocation method adopted is stand-alone taxpayer approach for each entity. Under this approach, each entity in the tax-consolidated group measures its current and deferred taxes as if it continued to be a separate taxable entity in its own right. This approach means, for example, that an entity recognises tax in relation to its intragroup transactions. The entity also assesses the recovery of its unused tax losses and tax credits only in the period in which they arise, and before assumption by the head entity, in accordance with AASB 112 applied in its own circumstances, without regard to the circumstances of the tax-consolidated group.

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, plus other selected cash investments 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; and
- the Group exercises judgement to determine the appropriate level at which to assess its business models and its business objectives with respect to financial assets.

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

- Loans are classified at amortised cost as disclosed in Note 8: these are held within a business model whose objective is to collect contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets are subsequently measured at amortised cost under the application of AASB 9.
- Equity Investments are measured at fair value through other comprehensive income (FVOCI) as disclosed under Equity Investments in Note 7 Investments.
- Derivative financial instruments are measured at fair value through other comprehensive income (FVOCI).
- All other financial assets and liabilities are measured at amortised cost.

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

k. Loans 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 being recoverable amount representing the aggregate amount of principal and unpaid interest owing to the Group at balance date 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. This methodology for home loans was revised in FY23 with a stronger linkage to forward macroeconomic factors.

The allowance for Expected Credit Loss 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.

Expected Credit Losses are calculated by reference to information on past events, current conditions and forecasts of future economic conditions. Multiple economic scenarios are incorporated into Expected Credit Losses calculation models. These scenarios are based on external sources where available and appropriate, and internally generated assumptions in all other cases. To capture any nonlinear relationship between economic assumptions and credit losses, three scenarios are used.

This includes a central scenario which reflects the Group's view of the most likely future economic conditions, together with an upside and a downside scenario representing alternative plausible views of economic conditions, weighted, based on management's view of their probability.

As part of the assessment of the Specified Economic Scenario being used for preparation of this year's accounts the weighting for the Base, Downturn and Upturn scenarios have been updated from the 40%, 30% and 30% used in FY22 to 50%, 40% and 10% in light of a significantly more uncertain economic environment with the resultant impacts on mortgage stress that is becoming more evident.

For the purpose of calculating Expected Credit Losses, 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 and less than 90 days past due as the criteria to identify whether there has been a significant increase in credit risk. Loans in arrear will be monitored and transferred to stage 3 if heighten credit risk were identified.

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

Stage 3: credit impaired

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

- significant financial difficulty of the borrower exists;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- restructuring of a loan or accepting a repayment plan on terms that the Consolidated Entity would not consider otherwise; or
- the loan is past due for 90 days or more without agreed arrangements.

Restructured loans are categorised under Stage 3 to align with ARF220. 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.

In light of a growing level of loans in Stage 3 (Note 8) and a deteriorating economic environment, for the purpose of determining the provision for loans without LMI, the value of security held will be discounted by 25% (FY22 20%) and the provision allocated will be equivalent to any shortfall between the loan amount and the discounted security value. For loans with LMI, 100% recovery will continue to be assumed.

The Consolidated Entity seeks to work closely with members and restructure loans rather than to take possession of the collateral security. This may involve extending the loan term, changing repayment arrangements and agreeing to new loan conditions. Once the loan terms have been renegotiated, the arrears profile of the loan is extinguished after six months if the member has complied with the renegotiated loan terms.

In prior periods a general reserve for credit losses was held as an additional allowance for impairment losses. For the year ended 30 June 2023 the General Reserve for Credit Loss was reverted back to Retained Earnings. Refer to Note 17 for details of the reserve.

l. Other investments

Investment in subsidiary companies are carried at amortised cost, less any provision for impairment.

The Consolidated Entity assesses at each financial year end whether other investments are impaired.

m. Equity investments

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.

n. 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 is carried at cost less than 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 profit or loss and other 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 will be calculated on a straight-line basis over the estimated useful life of the assets as follows:

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

The asset's residual values, useful lives and amortisation methods are to be reviewed, and adjusted if appropriate, at each financial year-end.

De-recognition and disposal

An item is derecognised upon disposal or when no future economic benefits are expected from its use or 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 if it reverses a revaluation decrease of the same asset previously recognised in the profit or loss, in which case the increase is recognised in profit or loss.

Any revaluation decrement is recognised in profit or loss, 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.

o. 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 five years and assessed for impairment whenever there is an indication that the intangible asset may be impaired and is reviewed at least annually.

Software-as-a-Service (SaaS) arrangements

SaaS arrangements are service contracts providing the Consolidated Entity with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received.

Some of these costs incurred are for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis. The useful lives of these assets are reviewed at least at the end of each financial year, and any change accounted for prospectively as a change in accounting estimate.

p. Interest-bearing loans and borrowings

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

q. Deposits

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

Interest will be calculated on the daily balance and posted to the accounts periodically, or on maturity of the term deposit. Interest on deposits is brought to account on an accrual basis in accordance with the interest rate terms and conditions of each deposit account as varied from time to time. Interest payable is included in member deposits in the statement of financial position due to subsequent measurement of member deposits.

r. Trade and other payables

Trade and other payables will be carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Consolidated Entity becomes obliged to make future payments in respect of the purchase of these goods and services. Trade liabilities will be settled on normal commercial terms.

s. 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 rates. The Consolidated Entity either receives or pays a floating rate of interest in return for paying or receiving, respectively, a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

Derivatives are recognised at fair value and are classified as trading except where they are designated as a part of an effective hedge relationship and classified as hedging derivatives. The carrying value of derivatives is re-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).

At the inception of the hedge the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions is documented.

Furthermore, at the inception of the hedge and on an ongoing basis, the Consolidated Entity documents whether the hedging instrument that is used in a hedging relationship 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 profit or loss. The carrying value of the hedged item is not adjusted. Amounts accumulated in equity are transferred to profit or loss 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 in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in equity is immediately transferred to profit or loss.

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

t. Provisions

Provisions will be recognised when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions will be discounted using a current pre-tax rate that reflects the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

u. Employee benefits

Wages

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

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 will be measured at the amounts expected to be paid when the liabilities are settled.

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 required to be given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments will be discounted using market yields at the reporting date on Australian Corporate bonds (G100 Discount Rate by Millman.com) 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 2023, 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.

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For the year ended 30 June 2023

3. Selected income and expenses

	Bank First		Consolidated Entity	
	30-Jun 2023	30-Jun 2022	30-Jun 2023	30-Jun 2022
	$000s	$000s	$000s	$000s
a. Interest Income				
Loans secured by real estate mortgages	99,342	60,859	99,342	60,859
Investments	21,097	4,468	21,097	4,468
Government guaranteed loans	1	1	1	1
Other loans and advances	222	189	222	189
Due from controlled entities	1,139	1,171	-	-
Total interest income	**121,801**	**66,688**	**120,662**	**65,517**
b. Interest Expense				
Due to controlled entities	32	3	-	-
Other	56,288	9,351	56,288	9,351
Total interest expense	**56,320**	**9,354**	**56,288**	**9,351**
c. Other Operating Income				
Fees	2,073	2,132	2,073	2,132
Commissions	7,117	7,097	7,117	7,097
Other revenue from contracts with customers	296	413	258	384
Total Revenue from contracts with customers	**9,486**	**9,642**	**9,448**	**9,613**
Other	51	38	1,049	927
Total other operating income	**9,537**	**9,680**	**10,497**	**10,540**
d. Write-back and Charge for Impairment				
Additional provisions	280	239	280	239
Recoveries	(103)	(155)	(103)	(155)
Charge for impairment on loans	**177**	**84**	**177**	**84**
Additional provisions on investments	117	-	117	-
Write-back of provisions on investments	-	(175)	-	(175)
Total charge for impairment	**294**	**(91)**	**294**	**(91)**

4. Income tax expense

The major components of income tax expense are:

	Bank First 30-Jun 2023	Bank First 30-Jun 2022	Consolidated 30-Jun 2023	Consolidated 30-Jun 2022
On net profit for the period:				
Current income tax charge	2,741	3,529	2,920	3,372
Adjustments for income tax expense of previous years	-	(10)	-	(10)
Deferred tax relating to origination and reversal of temporary differences	146	320	(38)	679
Income tax expense reported in the statement of profit or loss and other comprehensive income	**2,887**	**3,839**	**2,882**	**4,041**

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

The balance of franking credits for Bank First as at 30 June 2023 was $99m (2022: $96m).

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

	Bank First		Consolidated Entity	
	30-Jun 2023	30-Jun 2022	30-Jun 2023	30-Jun 2022
	$000s	$000s	$000s	$000s
Profit for the period before income tax	**9,589**	**12,847**	**9,574**	**13,522**
Income tax expense at the Consolidated Entity's statutory income tax rate of 30% (2022: 30%)	2,877	3,854	2,872	4,056
Tax on expenses not allowable as tax deductions	10	8	10	8
Tax offsets and other items	-	(13)	-	(13)
Adjustments for income tax of previous years	-	(10)	-	(10)
Income tax expense reported in the statement of profit or loss and other comprehensive income	**2,887**	**3,839**	**2,882**	**4,041**

5. Cash and cash equivalents

	Bank First		Consolidated Entity	
	30-Jun 2023	30-Jun 2022	30-Jun 2023	30-Jun 2022
	$000s	Restated $000s	$000s	Restated $000s
Cash at bank and on hand	101,225	92,200	101,225	92,200
Deposits at call	40,000	25,000	40,000	25,000
	141,225	**117,200**	**141,225**	**117,200**

6. Trade and other receivables

Other receivables	-	-	46	377
	-	**-**	**46**	**377**

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

	Bank First		Consolidated Entity	
	30-Jun 2023	30-Jun 2022	30-Jun 2023	30-Jun 2022
	$000s	Restated $000s	$000s	Restated $000s
Investments with banks	513,389	691,795	513,389	691,795
Investments with non-bank ADIs	20,104	36,002	20,104	36,002
Other Investments	6,088	5,768	2,232	1,926
	539,581	**733,565**	**535,725**	**729,723**
Provision for impairment	(180)	(63)	(180)	(63)
	539,401	**733,502**	**535,545**	**729,660**

All investments are in Stage 1 for expected credit loss provisioning purposes. The increase in provision for impairment results from new provisions made during the year ended 30 June 2023.

	Bank First		Consolidated Entity	
	30-Jun 2023	30-Jun 2022	30-Jun 2023	30-Jun 2022
	$000s	$000s	$000s	$000s
Other Investments				
VTMB Properties	3,856	3,799	-	-
Equity investment in Indue Ltd	2,232	1,926	2,232	1,926
Other	-	43	-	-
	6,088	**5,768**	**2,232**	**1,926**

All investments other than equity 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.

Other Investments held by the Consolidated Entity comprise investments in Indue Ltd. These are measured at fair value and fall under the Level 3 category of the fair value hierarchy as defined in Note 23. At the time of this report preparation the final revaluation of Indue shares was not available. The fair value of $555 (2022: $479) per share is based on the internal valuation provided by Indue Ltd.

8. Loans and advances

a. By class

	Bank First		Consolidated Entity	
	30-Jun	30-Jun	30-Jun	30-Jun
	2023	2022	2023	2022
	$000s	$000s	$000s	$000s
Secured by real estate mortgage	2,882,658	2,443,784	2,882,658	2,443,784
Government guaranteed school loans	15	38	15	38
Other loans and advances	35,004	39,427	35,004	39,427
Capitalised origination costs	3,443	2,212	3,443	2,212
	2,921,120	**2,485,461**	**2,921,120**	**2,485,461**
Provision for impairment	(2,094)	(2,012)	(2,094)	(2,012)
Net loans and advances	**2,919,026**	**2,483,449**	**2,919,026**	**2,483,449**

As at 30 June 2023 the Consolidated Entity and Bank First predominantly had loans contractually maturing longer than five years.

b. By risk level

The following table sets out information in relation to the credit quality of the loans by category of loss allowance as at 30 June 2023.

	Bank First and Consolidated Entity			
	Stage 1	Stage 2	Stage 3	Total
	$000s	$000s	$000s	$000s
As at 30 June 2023				
Residential mortgages	2,868,783	490	13,384	2,882,657
Government guaranteed loans	15	-	-	15
Other loans and advances	34,386	239	379	35,004
Capitalised origination costs	3,444	-	-	3,444
Total	2,906,628	729	13,763	2,921,120
Provision for impairment	(1,165)	(94)	(352)	(1,611)
Economic Overlay	(483)	-	-	(483)
Net loans and advances	**2,904,980**	**635**	**13,411**	**2,919,026**
As at 30 June 2022				
Residential mortgages	2,435,367	2,509	5,907	2,443,783
Government guaranteed loans	38	-	-	38
Other loans and advances	38,776	456	195	39,428
Capitalised origination costs	2,212	-	-	2,212
Total	2,476,393	2,965	6,102	2,485,461
Provision for impairment	(1,471)	(257)	(284)	(2,012)
Economic Overlay	-	-	-	-
Net loans and advances	**2,474,922**	**2,708**	**5,818**	**2,483,449**

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For the year ended 30 June 2023

c. Movement in provision for impairment

The following table sets out information in relation to the credit quality of the loans by category of loss allowance as at 30 June 2023.

	Bank First and Consolidated Entity			
Impairment provision on loans	Stage 1 12 Months ECL Collective Provision $000s	Stage 2 Lifetime ECL not credit impaired Collective Provision $000s	Stage 3 Lifetime ECL Credit Impaired Specific Provision $000s	Total $000s
Balance at 30 June 2021	**1,123**	**758**	**652**	**2,533**
Transferred to Stage 1	1	(1)	-	-
Transferred to Stage 2	(40)	41	(1)	-
Transferred to Stage 3	(101)	(14)	115	-
New and increased provisions	831	(383)	641	1,089
Write-off from specific provisions	-	-	(1,070)	(1,070)
Economic Overlay provision	(343)	(144)	(53)	(540)
Balance at 30 June 2022	**1,471**	**257**	**284**	**2,012**
Balance at 30 June 2022	**1,471**	**257**	**284**	**2,012**
Transferred to Stage 1	1	(1)	-	-
Transferred to Stage 2	(26)	26	-	-
Transferred to Stage 3	(111)	(36)	147	-
New and increased provisions	(170)	(152)	119	(203)
Write-off from specific provisions	-	-	(198)	(198)
Economic Overlay provision	483	-	-	483
Balance at 30 June 2023	**1,648**	**94**	**352**	**2,094**

The table above provides movements in the impairment provisions by expected credit loss (ECL) stage for the year ended 30 June 2023

- **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-off from specific provisions** reflects accounts released from the specific provision when they were no longer required; and
- **Economic Overlay provision** reflects the economic uncertainty and likely impact of additional impairment of loans to our normal impairment methodology. Overlays are subject to internal governance and applied as an incremental expected credit loss top-up amount to the impacted portfolio segments.

d. Provision for impairment

	Bank First		Consolidated Entity	
	30-Jun	30-Jun	30-Jun	30-Jun
	2023	2022	2023	2022
	$000s	$000s	$000s	$000s
Individual balances identified as impaired	13,763	6,102	13,763	6,102
Individual impairment on the above	352	284	352	284
Collective impairment	1,259	1,728	1,259	1,728
Economic Overlay provision	483	-	483	-
	2,094	**2,012**	**2,094**	**2,012**

e. Charge to profit or loss for impairment

	Bank First		Consolidated Entity	
	30-Jun 2023	30-Jun 2022	30-Jun 2023	30-Jun 2022
	$000s	$000s	$000s	$000s
Additional provisions	280	239	280	239
Recoveries	(103)	(155)	(103)	(155)
	177	**84**	**177**	**84**

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. The outstanding balance as at 30 June 2023 is $22.48m.

10. Intangibles and other assets

	Bank First		Consolidated Entity	
	30-Jun 2023	30-Jun 2022	30-Jun 2023	30-Jun 2022
	$000s	Restated $000s	$000s	Restated $000s
Prepayments	3,744	1,004	4,360	1,129
Intangible assets	3,562	2,164	3,562	2,164
	7,306	**3,168**	**7,922**	**3,293**

Intangible assets are made up of computer software with 5 years effective life. Movement for Bank First and the Consolidated Entity are tabled below:

	Bank First and Consolidated Entity	
	30-Jun 2023	30-Jun 2022
	$000s	$000s
Intangibles		
Opening Net Carrying Amount	2,164	1,620
Additions	1,188	1,007
Depreciation & Impairment	(968)	(959)
Work in progress (WIP)	1,178	496
Closing Net Carrying Amount	**3,562**	**2,164**

There is no impairment for work in progress.

Notes to the financial statements

For the year ended 30 June 2023

11. Property, plant and equipment

	Bank First		Consolidated Entity	
	30-Jun 2023	30-Jun 2022	30-Jun 2023	30-Jun 2022
	$000s	$000s	$000s	$000s
Cost or fair value at date of revaluation	23,857	34,961	56,044	55,411
Accumulated depreciation	(9,544)	(14,632)	(13,472)	(11,646)
Accumulated impairment loss	(18)	(13)	(75)	(13)
Net carrying amount	**14,295**	**20,316**	**42,497**	**43,752**
Property, plant and equipment				
Land and buildings	-	-	38,524	39,345
Office equipment	615	724	615	731
Furniture and fittings	242	245	750	808
Motor vehicles	160	206	160	206
Leasehold improvements	1,029	1,125	1,029	1,125
Net carrying amount	**2,046**	**2,300**	**41,078**	**42,215**
Right-of-use lease assets				
Opening net book amount	18,016	20,205	1,536	1,654
Modify & Addition	(3,910)	-	-	-
Depreciation	(1,857)	(2,189)	(117)	(117)
Close net carrying amount	**12,249**	**18,016**	**1,419**	**1,537**
Land and buildings				
Opening net carrying amount	-	-	39,344	40,000
Additions	-	-	-	158
Revaluation	-	-	-	-
Depreciation	-	-	(820)	(814)
Closing net carrying amount	**-**	**-**	**38,524**	**39,344**

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

Land and buildings if measured using the cost model	**-**	**-**	**24,586**	**25,284**

Fair value hierarchy

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

Valuation techniques used to derive Level 3 fair values

The Consolidated Entity engaged a qualified valuer from Jones Lang LaSalle (JLL), to assist in the determination of the fair value of its land and building. Considering this independent valuation together with a challenging commercial property market with vacancy levels reaching 10 year highs and increased rental incentives required to attract tenants, Management have determined the fair value as $38.5m.

Valuation inputs

The following primary inputs have been used:

	Consolidated Entity	
	2023	2022
Capitalisation rate (%)	5.75	5.75
Terminal rate (%)	6.00	6.25
Discount rate (%)	6.00	6.50

Sensitivity to significant changes in unobservable inputs within Level 3 of the hierarchy

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

12. Deferred tax assets and liabilities

	Bank First		Consolidated Entity	
	30-Jun 2023	30-Jun 2022	30-Jun 2023	30-Jun 2022
	$000s	$000s	$000s	$000s
The balance comprises temporary differences attributable to:				
Deferred tax assets				
Accruals not currently deductible	176	248	178	280
Deferred income	575	575	575	575
Provisions for impairment on loans	628	603	628	603
Provision for impairment on investments	54	19	54	19
Provisions and accruals for staff entitlements	1,430	1,180	1,430	1,180
Right-of-use lease assets	142	349	119	106
Amortisation and impairment loss of in-house software	215	372	215	372
Total deferred tax assets	**3,220**	**3,346**	**3,199**	**3,135**
Deferred tax liabilities				
Revaluation of equity investments	403	310	403	310
Carrying value of property, plant and equipment	32	13	4,135	4,157
Unrealised gain in interest rate swaps	429	157	429	157
Total deferred tax liabilities	**864**	**480**	**4,967**	**4,625**

13. Deposits and other borrowings

	Bank First		Consolidated Entity	
	30-Jun 2023	30-Jun 2022	30-Jun 2023	30-Jun 2022
	$000s	Restated $000s	$000s	Restated $000s
Term deposits	1,278,947	851,148	1,278,947	851,148
Deposits on call	2,022,602	2,186,957	2,020,155	2,185,117
Withdrawable member shares	666	678	666	678
Securities sold under repurchase agreements	66,376	66,277	66,376	66,277
	3,368,591	**3,105,060**	**3,366,144**	**3,103,220**

Securities sold under repurchase agreements relate to funds drawn under the RBA's Term Funding Facility (TFF). The facility provided 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. Bank First is required to pledge securities that meet the RBA eligibility criteria as collateral. The consolidated entity retains risks and rewards of these securities, and therefore does not derecognise these assets.

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

14. Trade and other payables

Terms and conditions of the above financial liabilities:

	Bank First		Consolidated Entity	
	30-Jun 2023	30-Jun 2022	30-Jun 2023	30-Jun 2022
	$000s	Restated $000s	$000s	Restated $000s
Creditors and accruals	5,096	4,383	5,146	4,569
Settlement accounts	5,879	7,365	5,879	7,365
Lease liabilities	12,723	19,176	1,815	1,888
	23,698	**30,924**	**12,840**	**13,822**

15. Derivative financial instruments

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

At 30 June 2023, the Consolidated Entity had interest rate swap agreements in place with a notional amount of $75m (2022: $75m). The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of either the market risk or the credit risk:

	Bank First and Consolidated Entity			
	30-Jun 2023		30-Jun 2022	
	Assets	Liabilities	Assets	Liabilities
	$000s	$000s	$000s	$000s
Derivatives used as cash flow hedges				
Interest rate swaps	1,465	-	522	(90)

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

	Bank First and Consolidated Entity	
	30-Jun	30-Jun
	2023	2022
	$000s	$000s
Balance at 1 July (net of tax)	**365**	**-**
Gain/(Loss) arising on Gross Changes in Fair Value of Hedging Instrument during the period	1,105	797
Income tax arising on Gross Changes in Fair Value of Hedging Instrument during the period	(331)	(239)
(Gain)/Loss reclassified to Profit or Loss – Due to hedge item affected Profit/ Loss	(197)	(275)
Income tax related to amount reclassified to Profit or Loss	59	82
Balance at 30 June (net of tax)	**1,001**	**365**

At 30 June 2023, the notional principal amounts and period of expiry of the interest rate swap contracts are as follows:

0 - 1 year	30,000	-
1 - 2 years	20,000	30,000
2 - 5 years	25,000	45,000
	75,000	**75,000**

The above interest rate swaps have average fixed rate of 3.1191% against BBSW rate and maturing between May 2024 and April 2027.

Cash Flow Hedges

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

	Current period hedging gains (losses) recognised in OCI		Amount reclassified to P/L Due to hedged item affecting P/L		Line item in P/L in which reclass adjustment is included
	2023	2022	2023	2022	
	$000s	$000s	$000s	$000s	$000s
Interest Rate Swaps	1,430	522	197	275	Interest Expense

There is no hedge ineffectiveness recognised in the statement of profit or loss and other comprehensive income in the current financial year.

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For the year ended 30 June 2023

16. Provisions

	Bank First		Consolidated Entity	
	30-Jun	30-Jun	30-Jun	30-Jun
	2023	2022	2023	2022
	$000s	$000s	$000s	$000s
Long Service Leave Provision	2,587	2,754	2,587	2,754
Annual Leave Provision	1,767	1,800	1,767	1,800
	4,354	**4,554**	**4,354**	**4,554**

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 (GRCL) is used to recognise an additional allowance for credit losses. From 2023 onwards, the provision in the books of Bank First representing a GRCL was moved to General Reserves. The concept of a GRCL is no longer a requirement of APRA prudential standards and no longer included in Tier 2 capital.

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.

18. Statement of cash flows

	Bank First		Consolidated Entity	
	30-Jun	30-Jun	30-Jun	30-Jun
	2023	2022	2023	2022
	$000s	$000s	$000s	$000s
Cash flows from operating activities:				
Net profit	6,703	9,007	6,692	9,479
Adjustments for:				
Net loss/(gain) on sale of non-current assets	(16)	(103)	(16)	(103)
Provisions for loan impairment	397	63	397	63
Depreciation/amortisation	1,730	1,955	2,708	2,980
Occupancy expenses (right-of-use lease asset depreciation)	5,767	2,189	117	118
Changes in assets and liabilities:				
(Increase)/decrease in loans	(435,853)	(63,825)	(435,853)	(63,825)
(Increase)/decrease in accrued receivables	-	(16)	330	(316)
(Increase)/decrease in accrued interest	(1,887)	(853)	(1,887)	(853)
(Increase)/decrease in other investments	-	(43)	-	-
(Increase)/decrease in prepayments	(2,742)	(221)	(3,232)	(189)
(Increase)/decrease in deferred tax asset	126	314	(63)	624
Increase/(decrease) in trade creditors	(4,167)	675	571	453
Increase/(decrease) in settlement accounts	(1,486)	(340)	(1,486)	(340)
Increase/(decrease) in interest payable	10,702	(771)	10,702	(771)
Increase/(decrease) in provisions	(200)	(701)	(200)	(701)
Increase/(decrease) in income taxes payable	(169)	(1,443)	-	(1,694)
Increase/(decrease) in deferred tax liabilities	9	(24)	(31)	26
Increase/(decrease) in deposits	252,739	185,434	252,132	185,273
Net Cash from operating activities	**168,347**	**131,299**	**169,119**	**130,222**

19. Commitments and contingencies

a. Contingent liabilities

There were no contingent liabilities at 30 June 2023 (2022: $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		Consolidated Entity	
	30-Jun	30-Jun	30-Jun	30-Jun
	2023	2022	2023	2022
	$000s	$000s	$000s	$000s
Irrevocable:				
Approved but undrawn loans	57,162	89,794	57,162	89,794
Loans available for redraw	392,741	376,263	392,741	376,263
	449,903	466,057	449,903	466,057

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For the year ended 30 June 2023

	Bank First		Consolidated Entity	
	30-Jun	30-Jun	30-Jun	30-Jun
	2023	2022	2023	2022
	$000s	$000s	$000s	$000s
Revocable:				
Undrawn line of credit and credit card commitments	70,876	72,730	70,876	72,730
	70,876	72,730	70,876	72,730
	520,779	**538,787**	**520,779**	**538,787**

$127k expected credit loss provision was held for irrevocable commitments.

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.

d. Lease expenditure commitments

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

	Bank First		Consolidated Entity	
	30-Jun	30-Jun	30-Jun	30-Jun
	2023	2022	2023	2022
	$000s	$000s	$000s	$000s
Within 1 year	188	286	188	286
1 to 5 years	354	-	354	-
	542	**286**	**542**	**286**

Bank First leases a property at 117 Camberwell Road, Hawthorn East, from VTMB Properties Ltd under a lease expired March 2023. A new lease was signed effective 1st April 2023 for a five year term with option to renew. Bank First and the Consolidated Entity lease a property at 126 Puckle Street, Moonee Ponds, under a lease expiring June 2035. With the application of AASB16 Leases from 1 July 2019 both of these property leases have been recognised on the balance sheet and therefore are not disclosed as 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-Jun	30-Jun	30-Jun	30-Jun
	2023	2022	2023	2022
	$000s	$000s	$000s	$000s
Within 1 year	-	-	326	906
1 to 5 years	-	-	1808	915
Over 5 years	-	-	298	-
	-	**-**	**2,432**	**1,821**

20. Auditor remuneration

	Bank First		Consolidated Entity	
	30-Jun 2023	30-Jun 2022	30-Jun 2023	30-Jun 2022
	$000s	$000s	$000s	$000s
Audit fees and audit related fees				
Fees for audit of the financial statements	238	195	238	195
Securitisation reviews	22	40	22	40
Other audit related fees	20	12	20	12
Total audit and audit related fees	280	247	280	247
All other fees				
Tax related services	33	37	33	37
Total auditor remuneration	**313**	**284**	**313**	**284**

Audit related and other services

Bank First engaged Deloitte during the financial year ending 30 June 2023 to provide primarily audit, as well as extended assurance and taxation services (including GST).

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
M. Devadason	M. Monester (ceased 17 November 2022)	J. Crowe
S. Cornelissen	K. Dupé	

(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 and up to the date of signing the annual financial report:

M. Bagnall - Chief Executive Officer

K. Barnes - Acting Chief Financial Officer (commenced 17 March 2022; ceased on 12 August 2022)

A. Hill - Chief Risk Officer

A. Hood - Chief Operations Officer

E. Hooper - Chief People Officer (commenced 1 July 2022; ceased 7 April 2023)

N. Konstantinou - Chief Financial Officer (commenced 25 July 2022)

D. Ludowyk - Chief Distribution Officer (commenced 29 April 2022; ceased 30 June 2023)

L. Marshall - Chief People Officer (commenced 4 July 2023)

M. Maugueret - Chief People Officer (commenced 1 July 2022; ceased 18 July 2023)

S. Van Veen - Chief Member Officer

b. Aggregate Compensation of Key Management Personnel

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

Notes to the financial statements

For the year ended 30 June 2023

c. Director 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-Jun 2023	30-Jun 2022	30-Jun 2023	30-Jun 2022
	$000s	$000s	$000s	$000s
Aggregate remuneration paid to Directors	585	588	585	588

d. Transactions with Key Management Personnel

Loans:

	Bank First		Consolidated Entity	
	30-Jun 2023	30-Jun 2022	30-Jun 2023	30-Jun 2022
	$000s	$000s	$000s	$000s
New loans advanced	2,703	4,583	2,703	4,583
Repayments	(2,075)	(334)	(2,075)	(334)
Interest and fees	191	122	191	122
Balance owing	**6,763**	**8,299**	**6,763**	**8,299**
Revolving credit facilities:				
Total value extended	5	25	5	25
Balance owing	**5**	**14**	**5**	**14**
Loan and revolving credit services:				
Balance owing	**6,768**	**8,313**	**6,768**	**8,313**
Savings and term deposit services:				
Amounts deposited	**5,716**	**3,635**	**5,716**	**3,635**

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.

Inherent in the design of the Consolidated Entity's risk management framework is the focus on our decision-making principles:

- we are accountable for the risks we take;
- we can articulate the reward for the risks we take; and,
- we don't take risks we don't understand.

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 maintain a risk management framework that is appropriate for the size, complexity, services, and nature the business model, and is reflective of the strategic plan and objectives. With the evolution of the regulatory accountability regimes, there has been a need to integrate risk, corporate governance and performance frameworks to better support our Boards and Executives to demonstrate reasonable management steps.

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

Risk Management Structure

Board:

The Board oversees and provides stewardship for Bank First through establishing, approving and monitoring the purpose, values, strategy, risk management framework/strategy, risk appetite, delegations, capital adequacy, corporate governance (including policies) and approving financial and market disclosures.

Board Risk Committee:

Oversees and provides advice and recommendation regarding the enterprise risk profile (current and future) relative to risk appetite and capital strength, the risk appetite and management strategies, particular risks or risk practices and management plans for material risks, proposals from management regarding risk management arising from Bank First activities and promoting and influencing the desired risk culture.

Board Audit Committee:

Oversees the integrity of the financial statement and reporting systems, statutory audit engagements, internal audit plan, compliance with and integrity of APRA reporting, and compliance and effectiveness of the risk management 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 second line of accountability function, and for regular reporting to the Enterprise Risk Committee (ERCO), Board Risk Committee and Board Audit Committee.

Enterprise Risk Committee (ERCO):

ERCO provides oversight and escalation authority for the management of non-financial risks including some strategic, and all operational risks. This includes approval of relevant standards and endorsement of policies prior to Board approval and proactive monitoring of material non-financial risks, issues management and risk maturity initiatives.

Asset & Liability Committee (ALCO):

ALCO provides oversight and escalation authority for the management of financial risks including funding, liquidity, capital and interest rate risk in the banking book. This includes approval of relevant standards and endorsement of policies prior to Board approval and proactive management of balance sheet risks by setting limits, monitoring exposures and implementing controls.

Internal Audit:

Risk management processes throughout the Consolidated Entity are audited regularly by Internal Audit as an independent

third line of accountability 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. Independence of our Internal Audit function is facilitated through the function not performing any operational activities apart from those relating to running the internal audit team, as well as having a direct reporting line to the Chief Executive Officer and Chair, Board Audit Committee.

a. Credit risk management

Credit Risk is the potential for financial loss arising from the change in a Member's or counterparty's ability to meet its contracted financial obligations.

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, 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 the Credit Risk and Portfolio Committee, Executive Management and the Board;
- an analysis of related risks including concentration and large exposure risk; and
- credit hindsighting reviews.

(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-Jun	30-Jun	30-Jun	30-Jun
		2023	2022	2023	2022
	Notes	$000s	Restated $000s	$000s	Restated $000s
Cash and cash equivalents	5	141,225	117,200	141,225	117,200
Trade and other receivables	6	-	-	46	375
Investments with banks	7	513,389	691,796	513,389	691,795
Investments with non-bank ADIs	7	20,104	36,002	20,104	36,002
Loans secured by real estate mortgages	8	2,886,101	2,445,995	2,886,101	2,445,995
Government guaranteed loans	8	15	38	15	38
Other loans and advances	8	35,004	39,428	35,004	39,428
Due from controlled entities	9	22,480	23,130	-	-
		3,618,318	**3,353,589**	**3,595,884**	**3,330,833**
Irrevocable credit commitments	19	449,903	466,057	449,903	466,057
Total credit risk exposure		**4,068,221**	**3,819,646**	**4,045,787**	**3,796,890**

(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 $16.5m (2022: $17.1m) 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: 61.81% (2022: 63.63%). Accordingly, the financial effect of these measures is that remaining credit risk on loans receivable is very low. Some lending products are unsecured (e.g. personal loans). The Consolidated Entity manages its exposure to these unsecured products by making an internal assessment in relation to the credit quality of the customer, taking into account their financial position, past experience and other factors. For financial (liquid) investments, only those securities assessed as being of at least a satisfactory credit grade are accepted.

(iii) Concentration of Risk

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

	Bank First		Consolidated Entity	
	30-Jun 2023	30-Jun 2022	30-Jun 2023	30-Jun 2022
Victorian residents	67%	71%	67%	71%
Other Australian and overseas residents	33%	29%	33%	29%
	100%	**100%**	**100%**	**100%**

(iv) Credit quality

Sensitivity of provisions for impairment to credit quality assessment

If 1% of Stage 1 credit exposures as at 30 June 2023 was transferred to Stage 2, provisions for impairment would increase by approximately $105k (30 June 2022: $520k).

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For the year ended 30 June 2023

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

Standard & Poor's or equivalent rating		Bank First		Consolidated Entity	
		30-Jun 2023	30-Jun 2022	30-Jun 2023	30-Jun 2022
Long-term	**Short-term**	**$000s**	**Restated $000s**	**$000s**	**Restated $000s**
Banks					
AA- to AA	A1+	137,578	128,145	137,578	128,145
A- to A+	A2 to A1	142,612	210,885	142,612	210,885
BBB- to BBB+	A3 to A2	150,780	229,951	150,780	229,951
Unrated	Unrated	82,419	122,814	82,419	122,814
Credit unions and building societies					
BBB- to BBB+	A2	-	16,023	-	16,023
Other ADIs					
Unrated	Unrated	20,104	19,979	20,104	19,979
		533,493	**727,797**	**533,493**	**727,797**
By type of investment					
Negotiable certificates of deposit		138,089	283,595	138,089	283,595
Term deposits		20,104	19,979	20,104	19,979
Fixed rate notes and floating / variable rate notes		375,300	424,223	375,300	424,223
		533,493	**727,797**	**533,493**	**727,797**

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.

(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.

		Past due days			
		0-30	31-90	>90 days	Total
	Note	$000s	$000s	$000s	$000s
2023					
Loans secured by real estate mortgages (Stage 2)		-	490	-	490
Other loans and advances (Stage 2)		-	239	-	239
Loans considered individually impaired (Stage 3)	8	-	-	13,763	13,763
		-	**729**	**13,763**	**14,492**
2022					
Loans secured by real estate mortgages (Stage 2)		-	3,045	-	3,045
Other loans and advances (Stage 2)		-	407	-	407
Loans considered individually impaired (Stage 3)	8	-	-	5,566	5,566
		-	**3,452**	**5,566**	**9,018**

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.

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 Consolidated Entity does not enter or trade financial instruments, including derivatives and foreign exchange, for trading or speculative purposes. The Consolidated Entity utilises derivatives for the management of financial risk in the banking book. This includes the use of interest rate swaps to manage risk arising from the impacts of interest rate changes on the banking book, sensitivity of net interest earnings, and economic value.

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

- Board-approved delegated limits, approval levels, policies and procedures;
- maintain an Asset Liability Committee (ALCO) to review portfolio growth, economic conditions and markets, monitor risks against the risk appetite statement and prudential requirements, review interest rate risk metrics reports and advise on the impact of interest rate changes to management committees responsible for pricing;
- 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 and liabilities, and the impact over a 12 month period of an instantaneous parallel shift in interest rates.

The table below shows the potential unfavourable change to post tax earnings due to interest rate movements utilising EaR sensitivity (+/-1% change):

	Bank First and Consolidated Entity			
	Interest rate movement			
	Bank First		Consolidated Entity	
	+1%	+1%	-1%	-1%
	2023	2022	2023	2022
	$000s	$000s	$000s	$000s
Post Tax Earnings at risk	(3,316)	(1,487)	3,489	1,507

The major classes of financial assets and liabilities that are subject to interest rate variation are loans to Members, cash with banks, investments, deposits from Members and other borrowings.

	Bank First and Consolidated Entity			
	Interest rate risk		Total	
	2023	2022	2023	2022
	$000s	$000s	$000s	$000s
Balance at 1 July 2022				
Cumulative (gain)/loss transferred to initial carrying amount of interest rate swaps	(1,430)	(522)	(1,430)	(522)
Income tax related to amounts transferred to initial carrying amount of interest rate swaps	429	157	429	157
Balance at 30 June 2023	**(1,001)**	**(365)**	**(1,001)**	**(365)**
Of which:				
Balance related to continuing cash flow hedges	(1,001)	(365)	(1,001)	(365)

	Bank First and Consolidated Entity			
	Fair value interest rate movement			
	+1bps	+1bps	-1bps	-1bps
	2023	2022	2023	2022
	$000s	$000s	$000s	$000s
Derivatives financial instruments	13	20	(13)	(20)

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:

- 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 Holding (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 2023 was 16.14% (2022: 22.09%).

Maturity profile of financial liabilities

The maturity profile is measured on a daily basis by monitoring the mismatch of maturing assets against maturing liabilities within the prescribed maturity buckets.

The gross nominal outflow disclosed below is the contractual, undiscounted cash flow on the financial liability. The balances include the expected interest payable on maturity. As an ADI, the Bank is a regulated entity and it is required to have a strong control environment in relation to managing liquidity risk. Furthermore, the Bank produces and submits extensive regular reporting in relation to liquidity to the regulator.

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
	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Bank First 2023							
Deposits and other borrowings	2,023,259	267,712	479,043	560,130	38,446	-	3,368,591
Trade and other payables	-	11,049	148	682	4,335	7,484	23,698
	2,023,259	**278,761**	**479,191**	**560,812**	**42,781**	**7,484**	**3,392,289**
Restated 2022							
Deposits and other borrowings	2,187,635	168,398	297,919	342,530	108,579	-	3,105,061
Trade and other payables	-	11,910	319	1,237	6,280	11,178	30,924
	2,187,635	**180,308**	**298,238**	**343,767**	**114,859**	**11,178**	**3,135,985**
Consolidated Entity 2023							
Deposits and other borrowings	2,087,188	265,866	458,934	515,710	38,446	-	3,366,144
Trade and other payables	-	11,031	14	62	428	1,305	12,840
	2,087,188	**276,897**	**458,948**	**515,772**	**38,874**	**1,305**	**3,378,984**
Restated 2022							
Deposits and other borrowings	2,251,934	168,398	297,919	342,530	42,441	-	3,103,222
Trade and other payables	-	11,939	12	55	386	1,430	13,822
	2,251,934	**180,337**	**297,931**	**342,585**	**42,827**	**1,430**	**3,117,044**

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
	$000s	$000s	$000s
2023			
Approved but undrawn loans	57,162	-	57,162
Undrawn line of credit and credit card commitments	-	70,876	70,876
Loans available for redraw	-	392,741	392,741
	57,162	**463,617**	**520,779**
2022			
Approved but undrawn loans	89,794	-	89,794
Undrawn line of credit and credit card commitments	-	72,730	72,730
Loans available for redraw	-	376,263	376,263
	89,794	**448,993**	**538,787**

Geographic concentration of members' deposits

	Bank First		Consolidated Entity	
	30-Jun 2023	30-Jun 2022	30-Jun 2023	30-Jun 2022
Victorian residents	91%	93%	91%	93%
Other Australian and overseas residents	9%	7%	9%	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.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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.

Trade receivable and payable are measured at amortised cost. The carrying value approximates their fair value.

	Amortised Cost		Fair Value	
Consolidated Entity	**2023**	**2022**	**2023**	**2022**
	$000s	**Restated $000s**	**$000s**	**$000s**
Loans	2,919,026	2,483,449	2,897,413	2,455,911
Deposits	3,366,144	3,103,220	3,368,597	3,102,773

	Carrying amount	Level 1	Level 2	Level 3	Total
Consolidated Entity	**$000s**	**$000s**	**$000s**	**$000s**	**$000s**
2023					
(i) Assets					
Land and buildings	38,524	-	-	38,524	38,524
Investment	535,545	-	568,788	2,232	571,020
Derivative financial instruments	1,465	-	1,465	-	1,465
Total assets	**575,534**	**-**	**570,253**	**40,756**	**611,009**
(ii) Liabilities					
Derivative financial instruments	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**

	Carrying amount	Level 1	Level 2	Level 3	Total
	Restated $000s	**$000s**	**$000s**	**$000s**	**$000s**
2022					
(i) Assets					
Land and buildings	39,345	-	-	39,345	39,345
Investment	729,660	-	743,097	1,926	745,023
Derivative financial instruments	522	-	522	-	522
Intangibles and other assets	-	-	-	-	-
Total assets	**769,527**	**-**	**743,619**	**41,271**	**784,890**

	Carrying amount	Level 1	Level 2	Level 3	Total
	Restated $000s	**$000s**	**$000s**	**$000s**	**$000s**
(ii) Liabilities					
Derivative financial instruments	90	-	90	-	90
Total liabilities	**90**	**-**	**90**	**-**	**90**

The comparative information for Land and Buildings is changed in relation to this note (FY22: Fair value under Level 2).

	Carrying amount	Level 1	Level 2	Level 3	Total
Bank First	**$000s**	**$000s**	**$000s**	**$000s**	**$000s**
2023					
(i) Assets					
Investment	539,401	-	568,788	2232	571,020
Due from controlled entities	22,480	-	-	22,480	22,480
Derivative financial instruments	1,465	-	1,465	-	1,465
Total assets	**563,347**	**-**	**570,253**	**24,713**	**594,965**
(ii) Liabilities					
Derivative financial instruments	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**

	Carrying amount	Level 1	Level 2	Level 3	Total
	Restated $000s	**$000s**	**$000s**	**$000s**	**$000s**
2022					
(i) Assets					
Investment	733,502	-	743,097	1,926	745,023
Due from controlled entities	23,130	-	-	23,130	23,130
Derivative financial instruments	522	-	522	-	522
Total assets	**757,154**	**-**	**743,619**	**25,056**	**768,675**
(ii) Liabilities					
Derivative financial instruments	90	-	90	-	90
Total liabilities	**90**	**-**	**90**	**-**	**90**

The fair value estimates were determined using the following methodologies and assumptions:

(a) Investment: Fair value for investments is determined by reference to the current market value of the instrument and is calculated based on the expected cash flows of the underlying assets. With 1 basis point downward shift on interest rate, the market value movement is $-9k (2022: $-17k).

(b) Derivative financial instruments: Fair value for derivative financial instruments is determined by reference to the current market value of the instrument.

(c) Equity investment: Indue Ltd shares are measured based on Indue Ltd internal valuation. This is the best available information to determine the fair value of the shares agreed by the management.

(d) Land and buildings: The valuation methodologies are detailed in Note 11.

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 collective provision 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's regulatory capital comprises the following:

	30-Jun 2023	30-Jun 2022
	$000s	**$000s**
Comprehensive income & other reserves	256,978	240,022
Current year retained earnings	6,692	9,479
Common Equity Tier 1 Capital (CET1) before regulatory adjustments	**263,670**	**249,501**
Capitalised expenses and intangibles	(7,005)	(4,376)
Cash flow hedge	(1,001)	(365)
Equity exposures to other financial institutions	(2,232)	(1,926)
Common Equity Tier 1 Capital (CET1)	**253,432**	**242,834**
Tier 1 Capital	253,432	242,834
Total Tier 2 Capital	1,922	8,113
Total Regulatory Capital	**255,354**	**250,947**
Risk weighted exposures	**1,554,583**	**1,592,245**
Capital adequacy ratio (%)	**16.43**	**15.76**

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

25. Prior Year Restatement

In order to present the users with more reliable and relevant financial information, the following reclassifications have occurred in the comparative financial information with respect to 30 June 2022:

- interest receivable in relation to investments has been reclassified from trade receivables to investments;
- interest payable in relation to deposits and other borrowings has been reclassified from trade and other payables to deposits and other borrowings; and
- investment was wrongly classified as intangibles and other assets in the prior year financial statements. Accordingly, investments have been restated in the statement of financial position as at 30 June 2023 from intangibles and other assets to investments.

In addition, a minor reclassification in relation to interest accrued was made between trade receivables and cash and cash equivalents. The impact of the reclassifications is as follows:

		30-Jun 2022	Adjustment	30-Jun 2022
Consolidated Entity	**Notes**	**$000s**	**$000s**	**Restated $000s**
Assets				
Cash and cash equivalents*	5	117,173	27	117,200
Trade receivables	6	1,841	(1,464)	377
Investments	7	726,297	3,363	729,660
Intangibles and other assets	10	5,219	(1,926)	3,293
Total Assets		**850,530**	**-**	**850,530**
Liabilities				
Deposits and other borrowings	13	3,101,316	1,904	3,103,220
Trade and other payables	14	15,726	(1,904)	13,822
Total Liabilities		**3,117,042**	**-**	**3,117,042**
Bank First				
Assets				
Cash and cash equivalents*	5	117,173	27	117,200
Trade receivables	6	1,461	(1,461)	-
Investments	7	726,297	7,205	733,502
Intangibles and other assets	10	8,934	(5,766)	3,168
Total Assets		**853,865**	**5**	**853,870**
Liabilities				
Deposits and other borrowings	13	3,103,156	1,904	3,105,060
Trade and other payables	14	32,823	(1,899)	30,924
Total Liabilities		**3,135,979**	**5**	**3,135,984**

**$27k interest accrual reclass is for on-call accounts*

The overall net (decrease)/increase in net assets for the period, and the balance at the end of the period are not materially impacted.

26. Events after the reporting period

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

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

Opinion

We have audited the financial reports of Victoria Teachers Limited 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 2023, the Consolidated Entity's statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- Giving a true and fair view of the Group and the Company's financial position as at 30 June 2023 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 2023, but does not include the financial reports and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Financial Reports

The directors 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 and 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 a going concern.

- 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.

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

DELOITTE TOUCHE TOHMATSU

Lani Cockrem

Lani Cockrem
Partner
Chartered Accountants

Melbourne, 19 September 2023

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