ANNUAL FINANCIAL REPORT 2022

50 years of investing in **YOU**

50 YEARS | bankfirst

Keysborough Gardens Primary School
Photo courtesy of School Presence

Bank First is committed to **you.**

Today, tomorrow and for the next 50 years.

Contents

Our Story. **Our Future.**

It was a cold night in

1972

A meeting of the Victorian Teachers Union was held in the basement of VTU's headquarters at Bank Place in Melbourne's central business district. A group of 48 Members voted to establish a credit union for teachers and their families. Start-up capital of $480 – $10 from each Member – was collected that night and these precious funds were stored in a shoebox.

Our first loan was $200 to a single Mother - a teacher who needed cash to pay a rental bond on a home for her family.

The focus of our Member-owned entity has always been people. It was never about numbers or bank accounts – it was a group of teachers pooling their funds to help other teachers.

In recent years, our Member base has evolved to include other professions with caring roles - nurses and allied health professionals.

Today, 50 years later, our reason for existing has not changed. We continue to care for those who care for our community.

1983

Moonee Ponds branch opened

1992

VTU Credit Union becomes **largest credit union** in VIC

2000

Internet banking **launched** as we continued to innovate for our Members

2014

Bank First App introduced changing banking forever

50 YEARS of investing in you

2022

Over 91,000 Members Australia-wide

Scan QR code for more history

Section a.

Bank First - 2022 Snapshot

Contents

Bernie Lloyd

Chair's Report

Individuals approaching their 50th birthday sometimes find themselves somewhat ambivalent about the occasion - they may see it as the portal to the ageing process so celebration can be tinged with apprehension. For organisations though, such a milestone is usually met with great pride and congratulations: we had a vision, we enacted it and look at what we achieved. So it is for Bank First this year. We hit our 50 year mark and celebrated accordingly. It's rare in the mutual sector for a credit union/mutual bank to stand alone for so long.

Our origin story is humble and inspiring. From the very first meeting in 1972, we've grown to be one of the top 10 Australian mutual banks in size with over $3.3b of assets under management. Our bond with Members has always been strong and plays into a loan book of high asset quality. Capital strength is essential for a bank with significant aspirations for its future - its next 50 years. Your leadership team, Directors and Executive Management, understand this very well indeed.

As much as we celebrated our anniversary and marvelled at the legacy left by those stalwarts from our past, our face is firmly turned to our future. We have clearly delineated an optimistic three to five year strategic transformation blueprint with 2021/2022 as the foundation year.

Our solid financial results for this financial year are outlined in our CEO's report and I encourage you to read them closely.

Current economic conditions are challenging to say the least, so we all recognise the results as being particularly pleasing. We have goals to improve this year's metrics over the long term but, as a foundation year suggests, there's much to do in terms of growing our digital maturity and capacity as well as fine-tuning our operating model. Our purpose, our reason for being, is very much imprinted in our DNA and our Members need to understand why this bank is proud to care for and serve them.

A strategic transformation platform comes with its own resource needs – financial as well as human – and your Board has contributed to and has oversight of the path we have chosen. To thrive in the economic circumstances facing all mutual banks requires agility, vision and accountability for continuous improvement. Bank First is rising to the challenge and we will keep you up to date with our growth trajectory.

Behind these achievements sits a team of creative, dedicated and hardworking staff led by CEO, Michelle Bagnall. Michelle has a committed and productive leadership team who, in turn, lead their teams to understand the contribution each and every one of them makes to the success of our bank. All leaders, including Directors, understand that a culture which engages and supports, breeds success. I thank all our staff for what they do. You often let us know what it means to you when staff who care show you a way forward through smart and sensible financial decisions. I also want to assure you that the Board listens to your feedback as we navigate our bank forward for the coming 50 years.

Responsible custodianship of Bank First is our Board's moral duty. I thank my fellow Directors for their service, especially Michael Monester who completes his 12 year tenure at this year's AGM.

Our purpose, our reason for being is very much **imprinted in our DNA**

Michelle Bagnall

CEO's Report

In a year when the Bank celebrates 50 years, I would like to thank you for being part of our foundation story. We know that our future success depends on our Members and the way we work with you to meet your needs.

You told us that you:

- don't *need* us to be a bank for everyone;
- *want* us to be the bank that delivers on its promises;
- *want* us to be a good corporate citizen; and
- *want* us to demonstrate our point of difference in our actions.

This is what has driven us during the past 12 months and what continues to influence the choices we make as we continue to invest in your bank for the future.

We're not replacing human interaction with digital – we're offering all Members a way of banking with us, **that suits them**

So, how do we set ourselves up for the next 50 years?

The key to the future of Bank First is investment in areas that matter most to Members.

We are investing in improving our service experience including in our contact centre, our branch bankers and also with our broker partners.

We are building out a program of technology spend to improve online banking services and our digital offering. To take our bank to the next 50 years, we must be where our Members need us to be, and for many, that's access to 24/7 banking via phone and other electronic devices.

We're not replacing human interaction with digital – we're ensuring that we're offering all Members a way of banking with us, that suits them.

Our Members

We are acutely aware of the importance of balancing the needs of our loyal long-term Members with the needs of newer Members, especially those just starting out in their careers.

To our Members of the past 50 years, you have my commitment that we take your legacy seriously and we will not rest on our laurels. You are the reason we exist today as a strong and successful bank and it is your legacy that we now build upon.

Partners and communities

Our partnerships are important to us and we're particular about who we choose to partner with. There must be an alignment of values and cultures as well as genuine opportunities to create value.

A huge thank you to all our partners, who lean into their relationship with Bank First. We have the deepest respect for you and your teams. We are honoured to partner with you.

Our people

Yes, we're a bank, but it's our people and their genuine care for our Members that is our key point of difference.

Our people are the glue that binds us to our Members. I have a committed Executive Management team, leadership group and broader team who believe in our company and strategy. We're investing in a team which is engaged, empowered and excited about our future.

Your Bank remains in a strong financial position today with a clear focus on our priorities – a program of transformation and growth to take us into the next 50 years.

You are not just a customer to us. You are the reason we exist and we will continue to work hard to justify your continued trust in us.

Financial highlights

We're in a **healthy financial position**, from a balance sheet and capital perspective.

As a bank, we operate under the same regulatory system as every Australian bank and it's a responsibility that we take very seriously.

Lending growth up by **2.6%**

Deposits up by **6.4%**

Capital adequacy of **15.76%** a solid foundation for future transformation work

Strong **liquidity position** of **22.1%**

High **asset quality** with provision for doubtful debt **0.08%** of total gross loans

People and **Culture**

One of the most significant and positive changes we've seen in our business in the past year relates to our people.

Whether it's recruiting new people, investing in our current staff or creating role clarity for our teams – our people are our greatest asset. We're continuing to align the work of our people with our strategic priorities which creates a clear link between the future of our organisation and how we are building future-focused skills and roles for our staff.

This change alone has had an enormous impact on our productivity and a shift in culture from 'activity-based' to a focus on driving to achieve outcomes with tangible benefits for everyone, including our Members.

At Bank First, we want to be a place where our people can **succeed** and be their **absolute best**.

What we're doing

Investing in the retention of staff with a focus on also attracting new talent and skill sets. Both from the community owned banking industry and across all industries – we're doing this to ensure we are innovative and well positioned for the next 50 years.

Creating a workplace that reflects the communities we work in and who we serve. We put an 'inclusion lens' over everything that we do.

Continuing to invest in our frontline capabilities and ensuring that our Member-facing staff (our bankers) have everything they need to best serve you.

Simplifying our processes and policies so our people can focus on what matters most, serving our Members.

Our People

- Have confidence in their leaders and managers.
- Have clarity about their goals and how their work contributes to Bank First company goals.
- Are involved and empowered to make decisions.
- Are critical to the success of Bank First.
- Are excited about our investment in the future.

We want to be a place where our people can **succeed** and be their **absolute best**

My **Bank First** Story

We all have a Bank First story.

Why we do what we do.

Why we love what we do.

Why we entrust our banking to Bank First.

From our Board of Directors and Executive team, to every single staff member who contributes to the running of Bank First – we care. We care about our 91,000 Members, we care about each other and we care about our community.

In our 50th year, we share some of our Bank First stories.

Our Team

Vin Gill

Branch Manager
2 years

I've worked for the majors, and I reached the point where I was looking for a different culture and I've found it here. It may be a cliché but the people here are not numbers – they're people.

Deb Dakin

Recently retired long-term employee
22 years

When I look back at all the changes, what hasn't changed are the people and what we stand for. As a business we need to keep growing and improving but what we stand for must stay the same.

Mitchell Boyd

Information Security Analyst
6 years

I've seen a great deal of change to the business and we only continue to grow. There's a great plan ahead for the Technology Assurance Team in the next few years. It's an exciting place to be.

Nathan Bull

Member Engagement Team Leader
20 years

It's exciting to see our customer base expand with the next generation of nurses and educators and we need to ensure that they can bank the way they want – typically jumping online in their own time and doing everything themselves. But it's so important that while we embrace the new, we don't let go of the hands of our older customers.

Founding and early Members

Alan Dash

Founding Member
Former Chair

Making a difference, making their finances easier…that felt fabulous. You knew you were making a difference. Thinking back over the past 50 years, it gives you a great warm feeling in the heart.

Peter Leonard-Kanevsky

Founding Member
Inaugural Chair

I feel very thankful that I've been fortunate enough to participate in the development of an organisation that puts people first and foremost ahead of profits. I think the organisation is one of the most worthwhile things that exists in the State of Victoria.

Shane and Rena Cotter

First home loan borrowers

We just think that the services Bank First provides are second to none. Even when we ring up and have a query…it's always a welcoming and friendly voice.

Partners and **Communities**

We partner with communities in the education and health sectors. Our partnerships are important to us. They're about more than a cheque and a handshake. The significance of our partnerships in local communities is deeply embedded in our culture. Our staff get involved. It's all about making a difference.

For Bank First, our partners are those who care for others. Our bank was borne out of caring for people. Our first loan was a $200 rental bond for a Melbourne teacher – a single Mum who couldn't get a loan from a traditional bank to rent a home for her family.

That was 50 years ago.

Today, we're building on that legacy with a commitment to extend our Bank First Member base. We stay steadfastly loyal to our traditional education base but recognise that the nursing and allied health sectors are obvious partner 'communities' for us. Carrying on our tradition of caring for the finances of the people who care for others in our community.

By banking with us, you are reinvesting in your community.

Our **Bank First Community Fund** supports a range of programs and initiatives in the education and health sectors. Our staff take this community engagement one step further and volunteer their time to support our partners.

2021

26 partnerships – $490,000

56 scholarships – $115,500

Our **Impact**

Caring for those who care

Partner: Alfred Hospital

Alfred Health has been committed to nursing education since 1871, developing some of the most experienced nurses in the country. In late-2022 our inaugural nursing scholarship recipient will be announced during Alfred Week. Fully funded by Bank First, this scholarship will advance nursing practice through clinical observation, research, education and leadership experiences, to share innovative ideas and concepts to Nursing at Alfred Health.

Partner: St Vincent's Hospital

Bank First has supported St Vincent's Hospital's nurses with five scholarships. The St Vincent's Staff Scholarships Program supports the hospital's post-graduate nursing staff by creating opportunities for future leaders in healthcare. Our five inaugural scholarship recipients work in the fields of medical, emergency and cardiac nursing.

Teaching Initiatives Program (TIP)

This is the 29th year of our Teaching Initiatives Program (TIP). During this time, we've provided more than **$780,000** to **600-plus schools**.

Our **2022 People's Choice** winner was Essex Heights Primary School which has an innovative Mathematical Garden – taking math studies out of the classroom and into the playground.

2022
$32,552 to **18 schools**

Right: Relationship Officer Brian Leo (right) pictured with Principal George Perini.

Feeding families

Partner: The One Box

Every week, the team at not-for-profit The One Box, pick fresh fruit and vegetables from Aussie farms. They source local bread and milk and work with local schools to supply essentials to families in need. Not just once, but for the entire school year. An initiative we are proud to support.

Our support, to date, has resulted in the distribution of **1853** boxes of fruit, vegetables and other grocery items to Victorian families.

Sustainable teaching

Partner: Sustainability Victoria

Victoria's largest sustainability awards program, the ResourceSmart School Awards, recognises schools and individual teachers who are leading the way in environmental sustainability. We sponsor the '*Primary School Teacher of the Year*' and '*Secondary School Teacher of the Year*' categories.

Giving students a voice

Partner: State Schools' Relief (SSR)

For the past five years we have helped purchase and distribute more than 2000 iPads for Victorian specialist school students. The technology is used by non-verbal students to help them communicate with their teachers, carers, friends and families. That's a **$200,000** investment in our young people.

In 2021, **410** iPads were provided to specialist school students in **51 schools** across Victoria.

Right: Coburg Special Developmental School

Pinch-a-shampoo for those in need

Partner: Pinchapoo

The Hospital Hygiene Program ensures every Victorian public hospital emergency department has hygiene packs for patients. Our staff volunteer their time to help pack products every year. In 2021 hospitals across the State received **10,535** Bank First sponsored hygiene packs.

Left: We're proud to partner with Pinchapoo founder Kate Austin - Australia's number one not-for-profit hygiene supplier.

Section b.

Full Financial Statement

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Corporate Information

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

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

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

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

Corporate Governance

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

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

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

Role of the Board

The Board maintains a formal Board Charter setting out its role and responsibilities. The interests of Members are paramount to Bank First's operations and the Board'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 CEO and the Executive Management Team.

Board Composition

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

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

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

Corporate Governance

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

	Names	Qualifications	Position
	**Bernadette Lloyd**	BA, DipEd, MEd, Dip Financial Services (AMI), FAICD Director since 2011	Chair, Non-Executive Director
	**Graeme Willis**	FAICD, FCIBS, SF Fin Director since 2013	Deputy Chair, Non-Executive Director
	**Judith Crowe**	BA, Dip Ed, Dip SS, Dip Admin, Dip Psych, FACEL, GAICD Director since 2018	Non-Executive Director
	**Joanne Dawson**	B.Comm, MBA, Dip FP, CA, FAICD Director since 2014	Non-Executive Director
	**Mark Devadason**	B.SSc, MAICD Director since 2020	Non-Executive Director
	**Michael Monester**	LLB, B. Juris., FAICD Director since 2010	Non-Executive Director
	**Simon Terry**	B. Comm, LLB, GAICD Director since 2018, resigned March 2022	Non-Executive Director
	**Emily McGrath**	B.Hons Law, AGIA, AGRCI, AAICD Company Secretary since 2018	Company Secretary

Corporate Governance

Director Independence

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

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

There are procedures in place to enable the Board collectively, and each Director individually, to seek independent professional advice at Bank First's expense to assist them 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, political and/or religious beliefs.

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

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

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

Ethical Standards

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

The Board has also agreed that Bank First be bound by the Customer Owned Banking Code of Practice which sets down principles by which Bank First deals with its Members and keeps them informed of the services available, fees, and other relevant information.

As part of this Code, Bank First has procedures for resolving complaints from Members, and where necessary, referring disputes to an independent arbiter, the Australian Financial Complaints Authority.

Qualifications & Training

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

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

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

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 Composition and Renewal

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

Board and Director Performance Evaluations

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

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

Director Remuneration

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

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

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

Controlled entities

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

Constitution, Board and Committee Charters, and Policies

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

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

1. Constitution;
2. Board Charter;
3. Governance, Culture, Remuneration and Accountability Committee Charter;
4. Risk Committee Charter;
5. Audit Committee Charter; and
6. Responsible Officers - Fit and Proper Policy.

Board Committees

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

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

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

Audit Committee

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

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

Risk Committee

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

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

The framework includes the strategies, policies, processes, and systems established by management to identify, assess, measure, monitor and manage the material risks facing Bank First.

The material risks are categorised as: credit risk; capital risk; liquidity risk; market risk; operational risk (such as information security/cyber-security risk, technology risk, people risk and compliance risk), governance risk (includes conduct risk), and strategic risk.

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

Governance, Culture, Remuneration and Accountability Committee

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

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

Corporate 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 CEO 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.

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

We have created a Member Advocate position who is responsible for meeting and updating the Board on a regular basis.

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.

Modern Slavery

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

Privacy

Bank First places great importance on the confidentiality of our Members' personal information.

We take steps to ensure that Member information is not disclosed to, or accessed by, unauthorised persons, and that we comply with the Australian Privacy Principles, the Mandatory Data Breach notification requirements, and the Credit reporting Code of Conduct.

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

Compliance Program

Bank First has comprehensive Compliance Management Programs in support of:

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

Risk Management

The Board is the ultimate owner of risk governance for our business, and provides, through its Charters and delegations framework, appropriate approval and oversight processes for our business.

The Board oversees and provides stewardship for Bank First through:

- Establishing, approving and monitoring: Purpose, Values, Strategy, Risk Management Framework, Risk Appetite, Delegations, Capital Adequacy, and 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.

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 Board and Executives) and team members' job descriptions. Whereas, risk accountabilities are described conceptually through the frame of the Three Lines of Accountability (defence) and described specifically in policies and procedures.

The Chief Risk Officer (CRO) is responsible for the risk management function and framework. The CRO 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 CRO will be independent from business lines, other revenue-generating responsibilities and the Finance function. The CRO will have a direct reporting line to the CEO, and have regular and unfettered access to the Board and the Board Risk Committee.

Internal and External Audit

The Internal Audit function provides an independent Third Line of Accountability assurance function. The internal audit plan is approved by the Board Audit Committee (BAC). The Head of Internal Audit reports to the BAC and to the CRO 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, fulfills the role and responsibilities of the auditor appointed under APRA Prudential Standard APS 310 Audit & Related Matters, and undertakes the Australian Financial Services Licence (AFSL) audit and the statutory audit for the purposes of the Corporations Act.

Corporate Governance

DIRECTORS MEETING ATTENDANCE 2021/22

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

	Board meetings		Strategic Interface Sessions		GRCA Committee*	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Bernadette Lloyd	11	11	2	2	4	4
Graeme Willis	11	10	2	2	4	3
Michael Monester	11	11	2	2	-	-
Joanne Dawson	11	11	2	2	-	-
Simon Terry	11	8	2	1	4	3
Judith Crowe	11	11	2	2	4	4
Mark Devadason	11	9	2	2	1	1

	Risk Committee		Audit Committee		Nominations Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Bernadette Lloyd	7	7	4	4	1	1
Graeme Willis	7	7	4	4	-	-
Michael Monester	7	6	-	-	-	-
Joanne Dawson	7	7	4	4	-	-
Simon Terry	-	-	4	3	1	1
Judith Crowe	-	-	1	1	1	1
Mark Devadason	7	7	-	-	-	-

	Strategic Planning Session		TOTAL	
	Eligible	Attended	Eligible	Attended
Bernadette Lloyd	1	1	**30**	**30**
Graeme Willis	1	1	**29**	**27**
Michael Monester	1	1	**21**	**20**
Joanne Dawson	1	1	**25**	**25**
Simon Terry	1	1	**23**	**17**
Judith Crowe	1	1	**20**	**20**
Mark Devadason	1	0	**22**	**19**

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

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

* Governance, Culture, Remuneration and Accountability Committee

Executive Management

The Executive Managers of Bank First as at the date of this report (16 September 2022).

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 Bachelor of Commerce/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).

Ellen Hooper MAHRI, BLaws, BIR, MM
Chief People and Culture Officer (job share)

Ellen has led HR teams and advised individuals and business in the state and federal public sectors, education industry and not-for-profit environment. Ellen has a Masters of Management from The University of Melbourne and a Bachelor of Laws (First Class Honours) from Bond University. She is a member of the Australian Human Resources Institute, an Accredited Mediator through Resolution Institute and an Accredited Coach with the International Coaching Federation.

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 Asset and Liability /Committee (ALCO). Nicky is a Chartered Accountant and has a Bachelor of Commerce.

Dirk Ludowyk
Chief Distribution Officer

Dirk joined Bank First in 2021 and he has 19 years banking experience. Dirk leads the Lending, Insurance, Member Service Centre and Member Contact Centre teams. Dirk has held senior executive roles in large scale operations, contact centres, customer service and sales/distribution.

Michelle Mauguerent MAHRI
Chief People and Culture Officer (job share)

Michelle is an experienced People and Culture leader who has spent more than 20 years working across Australia and Asia. Her roles have included implementing strategic and operational programs to support organisational effectiveness and the development of high-performing and engaged workplace cultures.

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's report

Your Directors submit their report for Victoria Teachers Limited trading as Bank First for the year ended 30 June 2022.

Principal activities

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

Review of Operations

The net profit after related income tax expense of Bank First was $9,008k (2021: $11,559k). The consolidated net profit after related income tax expense for the Consolidated Entity was $9,480k (2021: $11,942k).

In preparing the financial statements for year ended 30 June 2022, 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 231 employees as at 30 June 2022 (2021: 231).

Auditor independence and Audit Services

The Directors received the declaration from the Auditors of Bank First and this is presented on page 22 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

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

Likely developments

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

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

Directors' Interests and Benefits

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

Directors' benefits are included in Note 21.

Rounding

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

BRLloyd

Chair
Melbourne
20 September 2022

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

477 Collins St
Melbourne, VIC, 3000
GPO Box 78
Melbourne, VIC, 3001 Australia

Tel: +61 3 9671 7000
Fax: +61 3 9671 7001
www.deloitte.com.au

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

20 September 2022

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 2022, 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

Director’s declaration

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

In the opinion of the Directors of Bank First:

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

   i. Giving a true and fair view of Bank First’s and the Consolidated Entity’s financial position as at 30 June 2022 and of its performance for the year ended on that date; and

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

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

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

On behalf of the Board

Bernadette Lloyd
Chair

Melbourne
20 September 2022

Statement of profit or loss and other comprehensive income

For the year ended 30 June 2022

		Bank First		Consolidated Entity	
		30-Jun 2022	**30-Jun 2021**	**30-Jun 2022**	**30-Jun 2021**
	Notes	**$000’s**	**$000’s**	**$000’s**	**$000’s**
Interest income	3(a)	66,688	74,610	65,517	73,409
Interest expense	3(b)	9,354	16,582	9,351	16,578
Net interest income		**57,334**	**58,028**	**56,166**	**56,831**
Other operating income	3(c)	9,680	9,085	10,540	9,914
Write-back of provision	3(d)	91	-	91	-
Net operating income before expenses		**67,105**	**67,113**	**66,797**	**66,745**
Less					
Salaries and related expenses		28,836	27,352	28,836	27,352
Member access and statement expenses		6,967	6,221	6,967	6,221
Administration expenses		5,399	3,628	5,399	3,628
Impairment loss of assets		63	-	63	-
Depreciation and amortisation		1,955	2,003	2,979	3,029
Information technology costs		5,448	5,048	5,448	5,048
Occupancy expenses		3,282	3,321	1,276	1,380
Marketing expenses		2,308	2,544	2,308	2,544
Charge for impairment	3(d)	-	470	-	470
Total operating expenses		**54,258**	**50,587**	**53,276**	**49,672**
Profit for the year before income tax		**12,847**	**16,526**	**13,521**	**17,073**
Income tax expense	4	3,839	4,967	4,041	5,131
Net profit for the year		**9,008**	**11,559**	**9,480**	**11,942**
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		224	51	224	51
Net gains/(losses) on cash flow hedges taken to equity	15	365	-	365	-
Total other comprehensive income		**589**	**51**	**589**	**51**
Total comprehensive income for the year		**9,597**	**11,610**	**10,069**	**11,993**

Statement of financial position

As at 30 June 2022

		Bank First		Consolidated Entity	
		30-Jun	30-Jun	30-Jun	30-Jun
		2022	2021	2022	2021
	Notes	$000's	$000's	$000's	$000's
Assets					
Cash and cash equivalents	5	117,173	120,373	117,173	120,373
Trade receivables	6	1,461	565	1,841	645
Investments	7	726,297	594,347	726,297	594,347
Loans and advances	8	2,483,449	2,419,862	2,483,449	2,419,862
Due from controlled entities	9	23,130	23,749	-	-
Derivative financial instruments	15	522	-	522	-
Property, plant and equipment	11	2,300	3,362	42,215	44,078
Deferred tax assets	12	3,346	3,660	3,135	3,759
Other assets	10	8,934	7,708	5,219	4,168
Right-of-use lease assets	11	18,016	20,205	1,537	1,654
Income tax receivable		1,058	-	1,048	-
Total Assets		**3,385,686**	**3,193,831**	**3,382,436**	**3,188,886**
Liabilities					
Deposits and other borrowings	13	3,103,156	2,917,720	3,101,316	2,916,045
Trade and other payables	14	32,823	35,234	15,726	16,538
Derivative financial instruments	15	90	-	90	-
Income tax payable		-	385	-	646
Provisions	16	4,554	5,255	4,554	5,255
Deferred tax liabilities	12	480	251	4,624	4,345
Total Liabilities		**3,141,103**	**2,958,845**	**3,126,310**	**2,942,829**
Net Assets		**244,583**	**234,986**	**256,126**	**246,057**
Equity					
Reserves		244,583	234,986	256,126	246,057
Total Equity		**244,583**	**234,986**	**256,126**	**246,057**

Statement of changes in equity

For the year ended 30 June 2022

	General reserve	Asset revaluation reserve	Reserve for credit losses	Cash flow hedge reserve	Fair value reserve	Total
	$000's	$000's	$000's	$000's	$000's	$000's
Bank First						
Balance at 30 June 2020	**217,468**	**87**	**5,887**	**-**	**(66)**	**223,376**
Profit for the period	11,559	-	-	-	-	11,559
Other comprehensive income	-	-	-	-	51	51
Total comprehensive income	**11,559**	**-**	**-**	**-**	**51**	**11,610**
Transfer to/(from) reserve for credit losses	(842)	-	842	-	-	-
Balance at 30 June 2021	**228,185**	**87**	**6,729**	**-**	**(15)**	**234,986**
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**
Consolidate Entity						
Balance at 30 June 2020	**220,581**	**6,668**	**5,887**	**-**	**(66)**	**233,070**
Profit for the period	11,942	-	-	-	-	11,942
Other comprehensive income	-	-	-	-	51	51
Total comprehensive income	**11,942**	**-**	**-**	**-**	**51**	**11,993**
Transfer to/(from) reserve for credit losses	(842)	-	842	-	-	-
Asset Revaluation	-	994	-	-	-	994
Balance at 30 June 2021	**231,681**	**7,662**	**6,729**	**-**	**(15)**	**246,057**
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)	-	-	-
Balance at 30 June 2022	**241,264**	**7,662**	**6,626**	**365**	**209**	**256,126**

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 2022

		Bank First		Consolidated Entity	
		30-Jun 2022	**30-Jun 2021**	**30-Jun 2022**	**30-Jun 2021**
	Notes	**$000's**	**Restated $000's**	**$000's**	**Restated $000's**
Cash flows from operating activities					
Inflows					
Interest received		65,570	74,960	64,415	73,759
Net increase in deposits	25	185,434	312,288	185,273	311,702
Dividends received		30	-	30	-
Bad debts recovered		166	203	166	203
Other operating income		10,386	9,905	11,253	11,056
Total inflows		**261,586**	**397,356**	**261,137**	**396,720**
Outflows					
Interest paid		(9,904)	(19,148)	(9,901)	(19,144)
Net increase in loans	25	(63,825)	(187,976)	(63,825)	(187,976)
Salaries and related expenses		(29,537)	(27,879)	(29,537)	(27,879)
Other payments in the course of operations		(22,058)	(11,759)	(22,592)	(12,244)
Income tax paid		(4,992)	(4,819)	(5,085)	(4,915)
Total outflows		**(130,316)**	**(251,581)**	**(130,940)**	**(252,158)**
Net cash flows provided by operating activities	18	**131,270**	**145,775**	**130,197**	**144,562**
Cash flows from investing activities					
Net movement in investments		(131,775)	(131,388)	(131,775)	(131,388)
Net movement in equity investments		(94)	(298)	-	(203)
Payments for property, plant and equipment		(390)	(491)	(613)	(491)
Proceeds from sale of property, plant and equipment		532	243	532	243
Net decrease/(increase) in loans due from controlled entities		619	688	-	-
Payments for intangible assets		(1,477)	(834)	(1,477)	(834)
Net cash flows used in investing activities		**(132,585)**	**(132,080)**	**(133,333)**	**(132,673)**
Cash flows from financing activities					
Payment of principal portion of lease liabilities		(1,885)	(1,863)	(64)	(57)
Net cash flows used in financing activities		**(1,885)**	**(1,863)**	**(64)**	**(57)**
Net (decrease)/increase in cash and cash equivalents		(3,200)	11,832	(3,200)	11,832
Cash and cash equivalents at the beginning of the period		120,373	108,541	120,373	108,541
Cash and cash equivalents at the end of the period	5	**117,173**	**120,373**	**117,173**	**120,373**

Notes to the financial statements

For the year ended 30 June 2022

Contents of the notes to the financial statements

1. Summary of significant accounting policies

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

a. Basis of preparation

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

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

b. Statement of compliance

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

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

Future Accounting Developments:

Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Consolidated Entity for the annual reporting period ended 30 June 2022, are set out below together with an assessment of the impact of these new standards and interpretations (to the extent relevant to the Consolidated Entity):

- AASB 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments - No Impact
- AASB 2021-7 Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections - No Impact
- AASB 2020-2 Amendments to Australian Accounting Standards Removal of Special Purpose Financial Statements for Certain For Profit Private Sector Entities - No Impact as the master trust deed of Victoria Teachers Trust Series 2012-1 (the "Series") does not requires the preparation of financial Statements that comply with Australian Accounting Standards (only if created or amened on or after 1 July 2021).

c. Basis of consolidation

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

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

In preparing the consolidated financial statements, all intercompany balances and transactions and profits and losses resulting from intra-group transactions have been eliminated in full.

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

Investments in structured entity Victoria Teachers Trust Series 2012-1 (the "Series") are controlled by Bank First. Bank First holds the residual income units.

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

Residential Mortgage Securitisation Programs:

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

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

d. Impact of 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 2022, including ongoing labour shortages, supply chain disruptions, inflationary pressure and rising interest rates. These factors have been taken into consideration in our assumptions driving the forward-looking view of the provisions for impairment of loans and advances.

Notes to the financial statements

For the year ended 30 June 2022

e. Significant accounting judgements, estimates and assumptions

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

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

- Note 1(k) - Loans and advances.

f. Revenue recognition

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

Interest income:

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

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

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

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

Other income:

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

g. Leases

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). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

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.

The lease liability 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);

- 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 Group did not make any such adjustments during the periods presented.

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 of 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, IFRS 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 IFRS 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 IFRS 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 profit or loss and other comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available

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against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax consolidation:

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

Goods and services tax:

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

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

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

i. Cash and cash equivalents

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

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

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

j. Valuation of financial instruments

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

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

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

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

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

- Loans are classified at amortised cost as disclosed in Note 8: these are held within a business model whose objective is to collect contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets are subsequently measured at amortised cost under the application of AASB 9;
- Equity Investments are measured at fair value through other comprehensive income (FVOCI) as disclosed under Note 10 Other assets;
- Derivatives are measured at fair value and are classified as trading except where they are designated as a part of an effective hedge relationship and classified as hedging derivatives;
- All other financial assets and liabilities are measured at amortised cost.

k. Loans and advances

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

Impairment Assessment

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

The allowance for ECLs is based on an assessment of the probability of default, exposure at default and loss given default, discounted at the effective interest rate to give a net present value. The probability of default for loans is based on historical data for the Consolidated Entity and sector, taking into account all reasonable and supportable information. 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.

ECLs are calculated by reference to information on past events, current conditions and forecasts of future economic conditions. Multiple economic scenarios are incorporated into ECL 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.

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

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

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

Stage 2: Significant increase in credit risk

Loans are categorised as being in stage 2 where the loan has experienced a significant increase in credit risk since initial recognition. When determining whether the risk of default on a loan has increased significantly since initial recognition, the Consolidated Entity uses the criteria of 30 days past due and less than 90 days past due as the criteria to identify whether there has been a significant increase in credit risk.

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

Stage 3: Credit impaired

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

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

Economic Overlay

In the year ended 30 June 2021, an economic overlay provision was included to reflect the economic uncertainty associated with COVID-19 and likely impact of additional impairment of loans to our normal impairment methodology.

For the year ended 30 June 2022, any residual impact on the loan portfolio from COVID-19 and associated economic uncertainty has been incorporated into ECL model assumptions.

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

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

The Consolidated Entity seeks to work closely with our 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.

A general reserve for credit losses is also held as an additional allowance for impairment losses. Refer to Note 17 for details of the reserve.

l. Other investments

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

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

m. Property, plant and equipment

Property

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

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Plant and equipment

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

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

The recoverable amount is assessed on the basis of expected net cash flows that will be received from the asset's employment and subsequent disposal, discounted to their present values. Any decrement in the carrying amount is recognised as an impairment expense in the statement of 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 is calculated on a straight-line basis over the estimated useful life of the assets as follows:

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

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

Derecognition and disposal

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income in the year the asset is derecognised.

Revaluations of land and buildings

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

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

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

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

n. Intangible assets

Intangible assets consist of computer software which has a finite useful life and is carried at cost less any accumulated amortisation and any impairment losses. Computer software is amortised on a straight-line basis over 2 to 3 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired and is reviewed at least annually.

Software-as-a-Service (SaaS) arrangements

During the year, the Group revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing SaaS arrangements in response to the IFRIC agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements. The new accounting policy is presented below.

SaaS arrangements are service contracts providing the Group 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.

o. Interest bearing loans and borrowings

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

p. Deposits

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

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

q. Derivative financial instruments and hedge accounting

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

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

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

Cash flow hedges

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

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

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of profit or loss and other comprehensive income. The carrying value of the hedged item is not adjusted. Amounts accumulated in equity are transferred to the statement of profit or loss and other comprehensive income in the period(s) in which the hedged item will affect profit or loss (e.g. when the forecast hedged variable cash flows are recognised within profit or loss).

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

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

r. Employee benefits

(i) Wages

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

(ii) Annual leave

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

(iii) Long service leave

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

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

2. New and amended standards and interpretations

Several amendments and interpretations apply for the first time in the year ended 30 June 2022, 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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	Bank First		Consolidated Entity	
	30-Jun 2022	30-Jun 2021	30-Jun 2022	30-Jun 2021
	$000's	$000's	$000's	$000's
3. Selected income and expenses				
a. Interest Income				
Loans secured by real estate mortgages	60,859	65,968	60,859	65,968
Investments	4,468	4,305	4,468	4,305
Government guaranteed loans	1	1	1	1
Other loans and advances	189	3,135	189	3,135
Due from controlled entities	1,171	1,201	-	-
Total interest income	**66,688**	**74,610**	**65,517**	**73,409**
b. Interest Expense				
Due to controlled entities	3	4	-	-
Other	9,351	16,578	9,351	16,578
Total interest expense	**9,354**	**16,582**	**9,351**	**16,578**
c. Other Operating Income				
Fees	2,132	1,855	2,132	1,855
Commissions	7,097	6,759	7,097	6,759
Other revenue from contracts with customers	413	465	384	437
Total Revenue from contracts with customers	**9,642**	**9,079**	**9,613**	**9,051**
Other	38	6	927	863
Total other operating income	**9,680**	**9,085**	**10,540**	**9,914**
d. Write-back and Charge for Impairment				
Additional provisions	239	425	239	425
Recoveries	(155)	(193)	(155)	(193)
Charge for impairment on loans	**84**	**232**	**84**	**232**
Additional provisions on investments	-	238	-	238
Write-back of provisions on investments	(175)	-	(175)	-
Total charge for impairment	**(91)**	**470**	**(91)**	**470**
4. Income tax expense				
The major components of income tax expense are:				
On net profit for the period:				
Current income tax charge	3,529	5,278	3,372	5,372
Adjustments for income tax expense of previous years	(10)	-	(10)	-
Deferred tax relating to origination and reversal of temporary differences	320	(311)	679	(241)
Income tax expense reported in the statement of profit or loss and other comprehensive income	**3,839**	**4,967**	**4,041**	**5,131**

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

The balance of franking credits for Bank First as at 30 June 2022 was $96m (2021: $91m).

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 2022	30-Jun 2021	30-Jun 2022	30-Jun 2021
	$000's	$000's	$000's	$000's
Profit for the period before income tax	**12,847**	**16,526**	**13,522**	**17,073**
Income tax expense at the Consolidated Entity's statutory income tax rate of 30% (2021: 30%)	3,854	4,958	4,056	5,122
Tax on expenses not allowable as tax deductions	8	9	8	9
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	**3,839**	**4,967**	**4,041**	**5,131**
5. Cash and cash equivalents				
Cash at bank and on hand	92,173	95,373	92,173	95,373
Deposits at call	25,000	25,000	25,000	25,000
	117,173	**120,373**	**117,173**	**120,373**
6. Trade and other receivables				
Interest receivable on investments	1,443	563	1,443	563
Other receivables	18	2	398	82
	1,461	**565**	**1,841**	**645**

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.

	Bank First 30-Jun 2022	Bank First 30-Jun 2021	Consolidated Entity 30-Jun 2022	Consolidated Entity 30-Jun 2021
7. Investments				
Investments with banks	690,427	561,129	690,427	561,129
Investments with non-bank ADIs	35,933	33,456	35,933	33,456
	726,360	**594,585**	**726,360**	**594,585**
Provision for impairment	(63)	(238)	(63)	(238)
	726,297	**594,347**	**726,297**	**594,347**

All investments are in Stage 1 for ECL provisioning purposes. The provision for impairment results from new provisions made during the year ended 30 June 2022.

	Bank First 30-Jun 2022	Bank First 30-Jun 2021	Consolidated Entity 30-Jun 2022	Consolidated Entity 30-Jun 2021
Maturity analysis				
No longer than 3 months	171,391	239,406	171,391	239,406
Longer than 3 months and less than 12 months	266,461	136,297	266,461	136,297
Longer than 1 year and less than 5 years	288,508	218,882	288,508	218,882
	726,360	**594,585**	**726,360**	**594,585**
Provision for impairment	(63)	(238)	(63)	(238)
	726,297	**594,347**	**726,297**	**594,347**

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

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	Bank First		Consolidated Entity	
	30-Jun 2022	30-Jun 2021	30-Jun 2022	30-Jun 2021
	$000's	$000's	$000's	$000's
8. Loans and advances				
a. By class				
Secured by real estate mortgage	2,443,784	2,364,146	2,443,784	2,364,146
Government guaranteed school loans	38	60	38	60
Other loans and advances	39,427	54,745	39,427	54,745
Capitalised origination costs	2,212	3,444	2,212	3,444
	2,485,461	**2,422,395**	**2,485,461**	**2,422,395**
Provision for impairment	(2,012)	(2,533)	(2,012)	(2,533)
Net loans and advances	**2,483,449**	**2,419,862**	**2,483,449**	**2,419,862**

As at 30 June 2022 the Consolidated Entity and Bank First predominantly had loans contractually maturing longer than 5 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 2022.

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)
Net loans and advances	**2,474,922**	**2,708**	**5,818**	**2,483,449**
As at 30 June 2021				
Residential mortgages	2,354,193	9,953	-	2,364,146
Government guaranteed loans	60	-	-	60
Other loans and advances	53,168	892	685	54,745
Capitalised origination costs	3,444	-	-	3,444
Total	2,410,865	10,845	685	2,422,395
Provision for impairment	(779)	(615)	(599)	(1,993)
Economic Overlay	(343)	(144)	(53)	(540)
Net loans and advances	**2,409,743**	**10,086**	**33**	**2,419,862**

Sensitivity of provisions for impairment to credit quality assessment.

If 1% of Stage 1 credit exposures as at 30 June 2022 was transferred to Stage 2, provisions for impairment would increase by approximately $520k (30 June 2021: $1,674k).

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 2022.

	Bank First		Consolidated Entity	
	Stage 1 12 Months ECL Collective Provision	Stage 2 Lifetime ECL not credit impaired Collective Provision	Stage 3 Lifetime ECL Credit Impaired Specific Provision	Total
Impairment provision on loans	$000's	$000's	$000's	$000's
Balance at 30 June 2020	**2,060**	**569**	**684**	**3,313**
Transferred to Stage 1	340	(116)	(224)	-
Transferred to Stage 2	-	63	(63)	-
Transferred to Stage 3	-	(59)	59	-
New and increased provisions	(920)	157	1,348	585
Write-back from specific provisions	-	-	(1,205)	(1,205)
Economic Overlay provision	(357)	144	53	(160)
Balance at 30 June 2021	**1,123**	**758**	**652**	**2,533**
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-back 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**

The table above provides movements in the impairment provisions by expected credit loss (ECL) stage for the year ended 30 June 2022.

- **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-back from specific provisions** reflects accounts released from the specific provision when they were no longer required; and
- **Economic Overlay provision** reflects the economic uncertainty associated with COVID-19 and likely impact of additional impairment of loans to our normal impairment methodology.

d. Provision for impairment

	Bank First		Consolidated Entity	
	30-Jun 2022	30-Jun 2021	30-Jun 2022	30-Jun 2021
	$000's	$000's	$000's	$000's
Individual balances identified as impaired	6,102	685	6,102	685
Individual impairment on the above	284	652	284	652
Collective impairment	1,728	1,881	1,728	1,881
	2,012	**2,533**	**2,012**	**2,533**

e. Charge to profit or loss for impairment

Additional provisions	239	425	239	425
Recoveries	(155)	(193)	(155)	(193)
	84	**232**	**84**	**232**

Notes to the financial statements

For the year ended 30 June 2022

9. Due from controlled entities

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

10. Other assets

	Bank First		Consolidated Entity	
	30-Jun 2022	30-Jun 2021	30-Jun 2022	30-Jun 2021
	$000's	$000's	$000's	$000's
Prepayments	1,002	778	1,129	943
Intangible assets	2,164	1,620	2,164	1,620
Other investments	5,768	5,310	1,926	1,605
	8,934	**7,708**	**5,219**	**4,168**

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 $479 (2021: $399) per share has been adopted based on an estimate provided by Indue Ltd in July 2022.

Intangible assets are made up of computer software.

In its agenda decision published in April 2021 (the second agenda decision), the IFRIC specifically considered how an entity should account for configuration and customisation costs incurred in implementing these Software as a service (SaaS) arrangements. The IFRIC concluded that these costs should be expensed, unless the criteria for recognising a separate asset are met. Management had undertaken assessment on the asset portfolio and conclude there is no material impact in FY22.

11. Property, plant and equipment

	Bank First		Consolidated Entity	
	30-Jun 2022	30-Jun 2021	30-Jun 2022	30-Jun 2021
	$000's	$000's	$000's	$000's
Cost or fair value at date of revaluation	34,961	35,300	55,411	55,526
Accumulated depreciation	(14,632)	(11,733)	(11,646)	(9,794)
Accumulated impairment loss	(13)	-	(13)	-
Net carrying amount	**20,316**	**23,567**	**43,752**	**45,732**
Land and buildings	-	-	39,345	40,000
Office equipment	724	1,376	731	1,396
Furniture and fittings	245	240	808	936
Motor vehicles	206	519	206	519
Leasehold improvements	1,125	1,227	1,125	1,227
Right-of-use lease assets	18,016	20,205	1,537	1,654
Net carrying amount	**20,316**	**23,567**	**43,752**	**45,732**

	Bank First		Consolidated Entity	
	30-Jun 2022 $000's	30-Jun 2021 $000's	30-Jun 2022 $000's	30-Jun 2021 $000's

Property, plant and equipment primarily comprised of land and buildings and right-of-use lease assets. The movement for the year is detailed in table below:

Right-of-use lease assets				
Opening net book amount	20,205	22,393	1,654	1,771
Depreciation	(2,189)	(2,188)	(118)	(117)
Close net carrying amount	**18,016**	**20,205**	**1,536**	**1,654**
Land and buildings				
Opening net carrying amount	-	-	40,000	39,400
Additions	-	-	158	-
Revaluation	-	-	-	1,421
Depreciation	-	-	(813)	(821)
Closing net carrying amount	**-**	**-**	**39,345**	**40,000**
If land and buildings were measured using the cost model the carrying amounts would be				
Land and buildings if measured using the cost model	-	-	25,284	26,154

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 qualified valuer from Jones Lang LaSalle, to determine the fair value of its land and buildings. The effective date of the last revaluation was 30 June 2021. In assessing the need for an updated valuation in FY22, the valuer of the Property (Jones Lang LaSalle) was engaged to obtain a high level understanding of drivers of change in value over the last 12 months. The conditions point to, at worst, a maintenance of the Jun-21 valuation and consistent with policy, it is considered prudent to retain the Jun-21 valuation for inclusion in financial statements ending 30 June 2022.

Valuation inputs
The following primary inputs have been used:

	Consolidated Entity	
	2022	2021
Capitalisation rate (%)	5.75	5.75
Terminal rate (%)	6.25	6.25
Discount rate (%)	6.50	6.50

Sensitivity to significant changes in unobservable inputs within Level 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.

Accounting for fair value revaluation gain
The 117 Camberwell Road property held by the VTMB Properties Pty Ltd subsidiary was not revalued during 2022. An upwards revaluation of $1,421k occurred in 2021. The revaluation gain was booked to the asset revaluation reserve.

	Bank First		Consolidated Entity	
	30-Jun 2022 $000's	30-Jun 2021 $000's	30-Jun 2022 $000's	30-Jun 2021 $000's

12. Deferred tax assets and liabilities

The balance comprises temporary differences attributable to:

Deferred tax assets				
Accruals not currently deductible	248	47	280	146
Deferred income	575	577	575	577
Provisions for impairment on loans	603	760	603	760
Provision for impairment on investments	19	71	19	71
Provisions and accruals for staff entitlements	1,180	1,703	1,180	1,703
Right-of-use lease assets	349	90	106	90
Amortisation and impairment loss of in-house software	372	412	372	412
Total deferred tax assets	**3,346**	**3,660**	**3,135**	**3,759**
Deferred tax liabilities				
Revaluation of equity investments	310	215	310	215
Carrying value of property, plant and equipment	13	36	4,157	4,130
Unrealised gain in Interest rate swaps	157	-	157	-
Total deferred tax liabilities	**480**	**251**	**4,624**	**4,345**

13. Deposits and other borrowings

Term deposits	849,382	899,164	849,382	899,164
Deposits on call	2,186,957	1,951,719	2,185,117	1,950,044
Withdrawable member shares	678	698	678	698
Securities sold under repurchase agreements	66,139	66,139	66,139	66,139
	3,103,156	**2,917,720**	**3,101,316**	**2,916,045**

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

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

14. Trade and other payables

Terms and conditions of the above financial liabilities:

Creditors and accruals	4,378	3,703	4,569	4,115
Settlement accounts	7,365	7,705	7,365	7,705
Accrued deposit interest	1,904	2,765	1,904	2,765
Lease liabilities	19,176	21,061	1,888	1,953
	32,823	**35,234**	**15,726**	**16,538**

15. Derivative financial instruments

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

At 30 June 2022, the Consolidated Entity had an interest rate swap agreement in place with a notional amount of $75m (2021: $nil). 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		Consolidated Entity	
	30-Jun 2022 $000's	30-Jun 2021 $000's	30-Jun 2022 $000's	30-Jun 2021 $000's
Derivatives used as cash flow hedges				
Interest rate swaps	522	(90)	-	-

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

	Bank First and Consolidated Entity	
	2022 $000's	2021 $000's
Charged to comprehensive income	365	-
	365	**-**
At 30 June 2022, the notional principal amounts and period of expiry of the interest rate swap contracts are as follows:		
0 - 1 year	-	-
1 - 2 years	30,000	-
2 - 5 years	45,000	-
	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
	2022	2021	2022	2021	
	$000's	$000's	$000's	$000's	$000's
Interest Rate Swaps	522	-	276	-	Interest Expense

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

16. Provisions

	Bank First		Consolidated Entity	
	30-Jun 2022 $000's	30-Jun 2021 $000's	30-Jun 2022 $000's	30-Jun 2021 $000's
Long Service Leave Provision	2,754	3,488	2,754	3,488
Annual Leave Provision	1,800	1,767	1,800	1,767
	4,554	**5,255**	**4,554**	**5,255**

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For the year ended 30 June 2022

17. Equity

General reserve

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

Asset revaluation reserve

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

Reserve for credit losses

The reserve for credit losses is used to recognise an additional allowance for credit losses. This reserve is not permitted by Australian Accounting Standards to be recognised as an impairment charge against assets or recognised as an expense in the statement of profit or loss and other comprehensive income.

Cash flow hedge reserve

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

Fair value reserve

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

18. Statement of cash flows

	Bank First		Consolidated Entity	
	30-Jun 2022 $000's	30-Jun 2021 Restated $000's	30-Jun 2022 $000's	30-Jun 2021 Restated $000's
Cash flows from operating activities:				
Net profit	9,007	11,559	9,479	11,942
Adjustments for:				
Net loss/(gain) on sale of non-current assets	(103)	(68)	(103)	(68)
Provisions for loan impairment	63	663	63	663
Depreciation/amortisation	1,955	2,003	2,980	3,029
Occupancy expenses (right-of-use lease asset depreciation)	2,189	2,189	118	117
Changes in assets and liabilities:				
Increase/(decrease) in loans	(63,825)	(187,976)	(63,825)	(187,976)
(Increase)/decrease in accrued receivables	(16)	106	(316)	108
(Increase)/decrease in accrued interest	(880)	350	(880)	350
(Increase)/decrease in other investments	(43)	-	-	-
(Increase)/decrease in prepayments	(221)	(133)	(189)	(193)
(Increase)/decrease in deferred tax asset	314	(178)	624	(190)
Increase/(decrease) in trade creditors	675	293	453	319
Increase/(decrease) in settlement accounts	(340)	7,446	(340)	7,446
Increase/(decrease) in interest payable	(771)	(2,566)	(771)	(2,566)
Increase/(decrease) in provisions	(701)	(527)	(701)	(527)
Increase/(decrease) in income taxes payable	(1,443)	361	(1,694)	438
Increase/(decrease) in deferred tax liabilities	(24)	(35)	26	(32)
Increase/(decrease) in deposits	185,434	312,288	185,273	311,702
Net Cash from operating activities	**131,270**	**145,775**	**130,197**	**144,562**

19. Commitments and contingencies

a. Contingent liabilities

There were no contingent liabilities at 30 June 2022 (2021: $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 2022 $000's	30-Jun 2021 $000's	30-Jun 2022 $000's	30-Jun 2021 $000's
Irrevocable:				
Approved but undrawn loans	89,794	70,143	89,794	70,143
Loans available for redraw	376,263	373,556	376,263	373,556
	466,057	443,699	466,057	443,699
Revocable:				
Undrawn line of credit and credit card commitments	72,730	76,716	72,730	76,716
	72,730	76,716	72,730	76,716
	538,787	**520,415**	**538,787**	**520,415**

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 5 years. Future minimum lease expenditure commitments are as follows:

	Bank First		Consolidated Entity	
	30-Jun 2022 $000's	30-Jun 2021 $000's	30-Jun 2022 $000's	30-Jun 2021 $000's
Within 1 year	286	322	286	322
1 to 5 years	-	286	-	286
	286	**608**	**286**	**608**

Bank First leases a property at 117 Camberwell Road, Hawthorn East, from VTMB Properties Ltd under a lease expiring February 2023. 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 2022 $000's	30-Jun 2021 $000's	30-Jun 2022 $000's	30-Jun 2021 $000's
Within 1 year	-	-	906	897
1 to 5 years	-	-	915	906
	-	**-**	**1,821**	**1,803**

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For the year ended 30 June 2022

20. Auditors' remuneration

	Bank First		Consolidated Entity	
	30-Jun 2022 $000's	30-Jun 2021 $000's	30-Jun 2022 $000's	30-Jun 2021 $000's
Audit fees and audit related fees				
Fees for audit of the complete set of financial statements	195	153	195	153
Securitisation reviews	40	31	40	31
Other audit related fees	12	39	12	39
Total audit and audit related fees	247	223	247	223
All other fees				
Tax related services	37	30	37	30
Total auditors' remuneration	**284**	**253**	**284**	**253**

Audit related and other services

Bank First engaged Deloitte during the financial year ending 30 June 2022 to provide a number of services in relation to taxation and extended assurance services (included 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
S. Terry (resigned 31 March 2022)
M. Devadason
J. Dawson
M. Monester
G. Willis
J. Crowe

(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
D. Percival - Chief Financial Officer
A. Hill - Chief Risk Officer
G. Borg - Chief People Officer (resigned 24 Dec 2021)
M. Ricker - Chief Distribution Officer (resigned 29 Apr 2022)
D. Ludowyk - Chief Distribution Officer (commenced 29 Apr 2022)
M. Thomson - Chief Technology Officer (resigned 30 Jul 2021)
A. Hood - Chief Operations Officer (commenced 27 Sep 2021)
S. Van Veen - Chief Member Officer (commenced 30 Aug 2021)
K. Barnes - Acting Chief Financial Officer (commenced 17 Mar 2022 and resigned on 12 Aug 2022)
N. Konstantinou - Acting Chief Financial Officer (commenced 25 July 2022)

b. Aggregate Compensation of Key Management Personnel

Short-term employee benefits	3,464	3,114	3,464	3,114
Post-employment benefits - superannuation contributions	194	193	194	193
Termination benefits	710	369	710	369
Other long-term benefits - long service leave	25	74	25	74
Total	**4,393**	**3,750**	**4,393**	**3,750**

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

c. Directors' Remuneration

(included in 21b above)

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

	Bank First		Consolidated Entity	
	30-Jun 2022 $000's	**30-Jun 2021 $000's**	**30-Jun 2022 $000's**	**30-Jun 2021 $000's**
Aggregate remuneration paid to Directors	588	588	588	588

d. Transactions with Key Management Personnel

Loans:				
New loans advanced	4,583	2,017	4,583	2,017
Repayments	(334)	(2,731)	(334)	(2,731)
Interest and fees	122	136	122	136
Balance owing	**8,299**	**4,755**	**8,299**	**4,755**
Revolving credit facilities:				
Total value extended	25	51	25	51
Balance owing	**14**	**1**	**14**	**1**
Loan and revolving credit services:				
Balance owing	**8,313**	**4,756**	**8,313**	**4,756**
Savings and term deposit services:				
Amounts deposited	**3,635**	**3,576**	**3,635**	**3,576**

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;
- 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: Purpose, Values, Strategy, Risk Management Framework/Strategy, Risk Appetite, Delegations, Capital Adequacy, and 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.

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 and policies and procedures that comply with the prudential standards issued by APRA, and responsible lending requirements issued by ASIC.

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

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

- loans are extended to Members on the basis of a consistent and comprehensive credit assessment process;
- deposits with banks and other financial institutions are governed by their external credit rating and the type of investment product;
- Board approved delegated limits, approval levels, policies and procedures. Policies are consistent with the prudential standards issued by APRA;
- regular monitoring of credit risk exposures once facilities have been approved;
- regular reporting of credit risk exposures to 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 2022	30-Jun 2021	30-Jun 2022	30-Jun 2021
	Notes	$000's	$000's	$000's	$000's
Cash and cash equivalents	5	117,173	120,373	117,173	120,373
Trade and other receivables	6	1,461	565	1,841	645
Investments with banks	7	690,427	561,129	690,427	561,129
Investments with non-bank ADIs	7	35,933	33,456	35,933	33,456
Loans secured by real estate mortgages	8	2,445,996	2,367,590	2,445,996	2,367,590
Government guaranteed loans	8	38	60	38	60
Other loans and advances	8	39,427	54,745	39,427	54,745
Due from controlled entities	9	23,130	23,749	-	-
Other investments	10	5,768	5,310	1,926	1,605
		3,359,353	**3,166,977**	**3,332,761**	**3,139,603**
Irrevocable credit commitments	19	466,057	443,699	466,057	443,699
Total credit risk exposure		**3,825,410**	**3,610,676**	**3,798,818**	**3,583,302**

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For the year ended 30 June 2022

(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 $17.1m (2021: $23.6m) 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: 63.63% (2021: 65.56%). 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 2022	30-Jun 2021	30-Jun 2022	30-Jun 2021
Victorian residents	71%	75%	71%	75%
Other Australian and overseas residents	29%	25%	29%	25%
	100%	**100%**	**100%**	**100%**

(iv) Credit quality

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

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

Standard & Poor's or equivalent rating		Bank First 30-Jun 2022	Bank First 30-Jun 2021	Consolidated Entity 30-Jun 2022	Consolidated Entity 30-Jun 2021
Long-term	**Short-term**	**$000's**	**$000's**	**$000's**	**$000's**
Banks					
AA- to AA	A1+	127,873	70,485	127,873	70,485
A- to A+	A2 to A1	210,528	238,038	210,528	238,038
BBB- to BBB+	A3 to A2	229,428	129,102	229,428	129,102
Unrated	Unrated	122,598	123,504	122,598	123,504
Credit unions and building societies					
BBB- to BBB+	A2	15,977	13,500	15,977	13,500
Other ADIs					
Unrated	Unrated	19,956	19,956	19,956	19,956
		726,360	**594,585**	**726,360**	**594,585**
By type of investment					
Negotiable certificates of deposit		282,961	182,322	282,961	182,322
Term deposits		19,956	51,956	19,956	51,956
Fixed rate notes and floating / variable rate notes		423,443	360,307	423,443	360,307
		726,360	**594,585**	**726,360**	**594,585**

Unrated investments are deposits held with counterparties that have not obtained an external rating with Moody's, Standard & Poor's 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)

	Note	Past due days 0-30 $000's	31-90 $000's	>90 days $000's	Total $000's
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**
2021					
Loans secured by real estate mortgages (Stage 2)		-	1,805	2,104	3,909
Other loans and advances (Stage 2)		-	593	-	593
Loans considered individually impaired (Stage 3)	8	-	-	685	685
		-	**2,398**	**2,789**	**5,187**

b. Market risk - Interest rate risk

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

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

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

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

- maintaining a net interest margin that is adequate for the achievement of short and longer-term objectives with respect to profitability and capital accumulation;
- Board approved delegated limits, approval levels, policies and procedures;
- maintaining an Asset Liability Committee (ALCO) to review portfolio growth, economic conditions and markets, review interest rate risk metrics reports 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, liabilities and capital, and the impact, over a 12 month period, of a 1% and 2% interest rate increase and 1% and 2% interest rate decrease on earnings arising from the static gap position.

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

	Interest rate movement			
	Bank First		Consolidated Entity	
	+1%	**+1%**	**-1%**	**-1%**
	2022	**2021**	**2022**	**2021**
	$000's	**$000's**	**$000's**	**$000's**
Post Tax Earnings at risk	(1,487)	(2,134)	1,507	186

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

	Bank First and Consolidated Entity			
	Interest rate risk		Total	
	2022	2021	2022	2021
	$000's	$000's	$000's	$000's
Balance at 1 July 2021				
Cumulative (gain)/loss transferred to initial carrying amount of interest rate swaps	(522)	-	(522)	-
Income tax related to amounts transferred to initial carrying amount of interest rate swaps	157	-	157	-
Balance at 30 June 2022	**(365)**	**-**	**(365)**	**-**
Of which:				
Balance related to continuing cash flow hedges	(365)	-	(365)	-

	Fair value interest rate movement			
	Bank First and Consolidated Entity			
	+1bps	+1bps	-1bps	-1bps
	2022	2021	2022	2021
	$000's	$000's	$000's	$000's
Derivatives financial instruments	20	-	(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 to:

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

The Consolidated Entity is required by APRA to maintain at least 9% of total adjusted liabilities as Minimum Liquidity Holdings (MLH). MLH includes deposits held with other Authorised Deposit Taking Institutions capable of being converted to cash within 2 business days under APRA prudential standards. The Consolidated Entity policy is to maintain at least 12% as MLH. The MLH ratio at 30 June 2022 was 22.09% (2021: 18.28%).

Notes to the financial statements

For the year ended 30 June 2022

Maturity profile of financial liabilities

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

	On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	> 5 years	Total
	$000's	$000's	$000's	$000's	$000's	$000's	$000's
Bank First							
2022							
Deposits and other borrowings	2,187,635	168,021	297,252	341,763	108,485	-	3,103,156
Trade and other payables	-	12,282	985	2,003	6,375	11,178	32,823
	2,187,635	**180,303**	**298,237**	**343,766**	**114,860**	**11,178**	**3,135,979**
2021							
Deposits and other borrowings	1,952,198	176,708	296,051	360,953	131,810	-	2,917,720
Trade and other payables	-	12,111	1,226	2,520	6,537	12,840	35,234
	1,952,198	**188,819**	**297,277**	**363,473**	**138,347**	**12,840**	**2,952,954**
Consolidated Entity							
2022							
Deposits and other borrowings	2,251,934	168,021	297,252	341,763	42,346	-	3,101,316
Trade and other payables	-	12,316	678	821	481	1,430	15,726
	2,251,934	**180,337**	**297,930**	**342,584**	**42,827**	**1,430**	**3,117,042**
2021							
Deposits and other borrowings	2,016,662	176,708	296,051	360,953	65,671	-	2,916,045
Trade and other payables	-	12,368	921	1,158	549	1,542	16,538
	2,016,662	**189,076**	**296,972**	**362,111**	**66,220**	**1,542**	**2,932,583**

Maturity profile of commitments

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

Credit Commitments	**Within 1 year**	**More than 1 year**	**Total**
	$000's	**$000's**	**$000's**
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**
2021			
Approved but undrawn loans	70,143	-	70,143
Undrawn line of credit and credit card commitments	-	76,716	76,716
Loans available for redraw	-	373,556	373,556
	70,143	**450,272**	**520,415**

Geographic concentration of members' deposits

	Bank First		**Consolidated Entity**	
	30-Jun 2022	**30-Jun 2021**	**30-Jun 2022**	**30-Jun 2021**
Victorian residents	93%	93%	93%	93%
Other Australian and overseas residents	7%	7%	7%	7%
	100%	**100%**	**100%**	**100%**

Concentration of Financial Liability Risk

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

23. Fair value measurement

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

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

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.

Consolidated Entity	**Amortised Cost**		**Fair Value**	
	2022	**2021**	**2022**	**2021**
	$000's	**$000's**	**$000's**	**$000's**
Loans	2,483,449	2,419,862	2,455,911	2,408,999
Deposits	3,101,316	2,916,045	3,102,773	2,913,652

	Carrying amount	**Level 1**	**Level 2**	**Level 3**	**Total**
	$000's	**$000's**	**$000's**	**$000's**	**$000's**
Consolidated Entity					
2022					
(i) Assets					
Land and buildings	39,345	-	-	39,345	39,345
Investment	726,297	-	743,097	-	743,097
Derivative financial instruments	522	-	522	-	522
Other assets	1,926	-	-	1,926	1,926
Total assets	**768,090**	**-**	**743,619**	**41,271**	**784,890**
(ii) Liabilities					
Derivative financial instruments	90	-	90	-	90
Total liabilities	**90**	**-**	**90**	**-**	**90**
2021					
(i) Assets					
Land and buildings	40,000	-	-	40,000	40,000
Investment	594,347	-	621,400	-	621,400
Other assets	1,605	-	-	1,605	1,605
Total assets	**635,952**	**-**	**621,400**	**41,605**	**663,005**

The comparative information for Land and Buildings is changed in relation to this note (FY21: Fair value under Level 2).

	Carrying amount	Level 1	Level 2	Level 3	Total
	$000's	$000's	$000's	$000's	$000's
Bank First					
2022					
(i) Assets					
Investment	726,297	-	743,097	-	743,097
Due from controlled entities	23,130	-	-	23,130	23,130
Derivative financial instruments	522	-	522	-	522
Other assets	1,926	-	-	1,926	1,926
Total assets	**751,875**	**-**	**743,619**	**25,056**	**768,675**
(ii) Liabilities					
Derivative financial instruments	90	-	90	-	90
Total liabilities	**90**	**-**	**90**	**-**	**90**
2021					
(i) Assets					
Investment	594,347	-	621,400	-	621,400
Due from controlled entities	23,749	-	-	23,749	23,749
Other assets	1,605	-	-	1,605	1,605
Total assets	**619,701**	**-**	**621,400**	**25,354**	**646,754**

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 -$17k (2021: -$9k).

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

(c) Other assets: 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.

Notes to the financial statements

For the year ended 30 June 2022

24. Regulatory Capital

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

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

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

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

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

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

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

The Consolidated Entity manages as capital the following:

	30-Jun 2022	30-Jun 2021
	$000's	$000's
Comprehensive income & other reserves	240,022	227,386
Current year retained earnings	9,479	11,942
Common Equity Tier 1 Capital (CET1) before regulatory adjustments	**249,501**	**239,328**
Capitalised expenses and intangibles	(4,376)	(5,069)
Cash flow hedge	(365)	-
Equity exposures to other financial institutions	(1,926)	(1,605)
Common Equity Tier 1 Capital (CET1)	**242,834**	**232,654**
Tier 1 Capital	242,834	232,654
Total Tier 2 Capital	8,113	8,089
Total Regulatory Capital	**250,947**	**240,743**
Risk weighted exposures	**1,592,245**	**1,531,561**
Capital adequacy ratio (%)	**15.76**	**15.72**

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

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

25. Prior Year Restatement

Net cash flows from loans and deposits have been restated in the Statement of Cash Flows in the prior year, from cash flows from Investing and Financing activities respectively to cash flows from Operating Activities. The impact of the restatement is as follows:

	Within 1 year	More than 1 year	Total
Consolidated Entity	$000's	$000's	$000's
Cash flows from operating activities			
Inflows			
Net increase in deposits	-	311,702	311,702
Total inflows	**85,018**	**311,702**	**396,720**
Outflows			
Net increase in loans	-	(187,976)	(187,976)
Total outflows	**(64,182)**	**(187,976)**	**(252,158)**
Net cash flows provided by operating activities	**20,836**	**123,726**	**144,562**
Cash flows from investing activities			
Net increase in loans	(187,976)	187,976	-
Net cash flows used in investing activities	**(320,649)**	**187,976**	**(132,673)**
Cash flows from financing activities			
Net increase in deposits	311,702	(311,702)	-
Net cash flows from financing activities	**311,645**	**(311,705)**	**(57)**
Bank First			
Cash flows from operating activities			
Inflows			
Net increase in deposits	-	312,288	312,288
Total inflows	**85,068**	**312,288**	**397,356**
Outflows			
Net increase in loans	-	(187,976)	(187,976)
Total outflows	**(63,605)**	**(187,976)**	**(251,581)**
Net cash flows provided by operating activities	**21,463**	**124,312**	**145,775**
Cash flows from investing activities			
Net increase in loans	(187,976)	187,976	-
Net cash flows used in investing activities	**(320,056)**	**187,976**	**(132,080)**
Cash flows from financing activities			
Net increase in deposits	312,288	(312,288)	-
Net cash flows from financing activities	**310,425**	**(312,288)**	**(1,863)**

The overall net (decrease)/increase in cash and cash equivalents for the period, and the cash and cash equivalents balance at the end of the period are not impacted. The Bank has adopted the change in presentation of cashflows to provide users of the financial statements with a more relevant and reliable presentation of the bank's activities.

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.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

477 Collins St
Melbourne, VIC, 3000
GPO Box 78
Melbourne, VIC, 3001 Australia

Tel: +61 3 9671 7000
Fax: +61 3 9671 7001
www.deloitte.com.au

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

Opinion

We have audited the financial reports of Victoria Teach 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 2022, the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- Giving a true and fair view of the Group and the Company's financial position as at 30 June 2022 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

(a) 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 2022, 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.

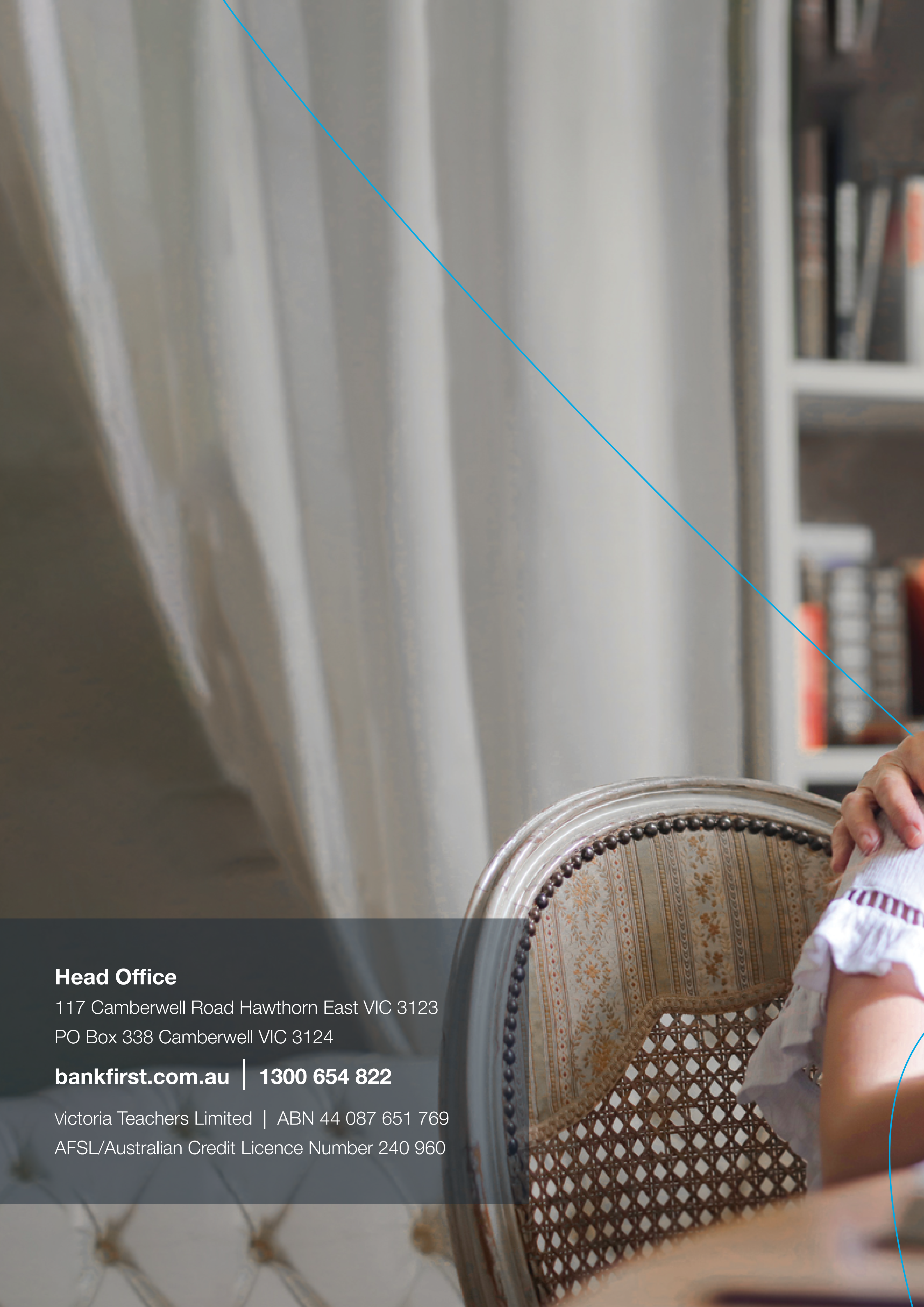
Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Lani Cockrem

Lani Cockrem
Partner
Chartered Accountants

Melbourne, 20 September 2022



Head Office

117 Camberwell Road Hawthorn East VIC 3123

PO Box 338 Camberwell VIC 3124

bankfirst.com.au | **1300 654 822**

Victoria Teachers Limited | ABN 44 087 651 769

AFSL/Australian Credit Licence Number 240 960