

Annual Review

2020



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Building upon our heritage

Bank First was born in 1972 when a group of 48 educators came together with a shared belief.

They wanted a financial institution that placed a value on what people did for the community – not simply by how much money they made.

Founded on care and compassion, our first loan was to a single mother for a bond to acquire housing for herself and her two children.

After four decades of financially empowering educators to realise their dreams, we are still driven by the same founding values and focus on putting our customers first.

The values of our founders still guide our decision making today and we remain steadfast in our commitment to our customers.

Throughout the year we have drawn on our values to guide our decision making and support our customers in their times of need. Whilst doing so we have remained committed to constantly improving customer experience in all aspects of our products and services.

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Chair and CEO reports



Chair's Report
Bernie Lloyd

Your Board of Directors is pleased to present to you our Annual Review 2020. This column is being written in the full shadow of COVID-19 but there is actually good news for our customers in terms of ahead of system loan book funding and increased business flows over the past two years.

Similarly, a recent Roy Morgan report on customer satisfaction levels posted Bank First as the second highest performer in Australian banking. It's important in this challenging period that we find the positive and remind ourselves of our capacity to not only sustain, but to be a beacon of hope to the people who matter the most i.e. the people who build community, our staff, our present, and our future members/customers.

Financial year 2020 revealed an ebb and flow as you can imagine. Despite the historically low interest levels, fierce competition from bigger banks, and the impact of the devastating summer fires we were tracking well against our budgets until the COVID-19 outbreak in March. I encourage you to read the data and commentary presented in our Annual Review and our Annual Report to gain a full picture.

What I would like to highlight for you is the exemplary manner in which Bank First staff responded to the sudden pandemic outbreak and its accompanying lockdown. Banking is an essential service as you know so it was critical that our business continuity plans held up - we had to keep operating. More importantly than this, as well as ensuring staff health and wellbeing, we had to advise and reassure our customers as anxiety levels elevated. We heard stories of hardship, we responded promptly and assuaged uncertainty and, sometimes, panic. We drew on our values as is our norm. We were a source of calm and care when it was most needed.

The Board of Directors is very grateful to our leaders and their teams who responded to the new order with such

professionalism and compassion. We knew the Bank was well led and managed and here again was the proof.

One other significant note this year was advice from our CEO, William Wolke, that he was retiring after eighteen years of remarkable service. The history of our bank has been recorded in two books: Apples for Teachers, Damien Cash 1994 and A Bank for Teachers, Lesley Alves, 2012. These are actually fascinating social history and the more recent one describes the arrival of William as CEO and the continuing success story that ensues.

Aided by his team of Executive Managers William achieved growth that propelled us into the top echelon of credit unions and mutual banks where it now sits. In many ways it was a perfect match of values, behaviours and desired culture. A talented visionary, a man of conviction and empathy, William steered us to our future. When the pandemic struck he exemplified the iconic safe pair of hands.

There is no more important decision for a Board than the appointment of a new CEO. It was a twelve month process and we are very happy to welcome Michelle Bagnall to Bank First. She will commence in early 2021. We also welcomed Mark Devadason to our Board this year and he has already demonstrated his alignment with our values and culture as well as valuable insight due to his expertise.

So thank you. To you, our customers, who share our belief in Bank First and those who serve us from education, nursing, allied health and similar sectors where community is built and strengthened. To our people, our committed and dedicated staff and to my fellow Directors. Now, more than ever, we are invested in each other.

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



CEO's Report
William Wolke

I have mixed feelings as I write my last Annual Review after eighteen years as CEO of Bank First. Concern as our society is working through the COVID-19 pandemic with all its impacts – particularly at a personal level as economic and other stresses are felt at individual, family and other relationship levels.

I also have a sense of pride as I leave a strong purpose driven Bank with an authentic set of values and culture. A Bank that can choose to remain true to its purpose and understands what it stands for. A Customer Owned Bank that is well placed for the future.

The essence of the culture and values embodied in the founding members forty-eight years ago endures today and continues to be relevant for the future. The purpose, culture and values are embraced by the Board, Management and staff each and every day with the primary aim of looking after our customers.

'Financially empowering *people who build community* realise their dreams'

Our Purpose Statement resounds even more strongly now as we look at the roles essential vocations such as education, nursing and allied health play throughout the current pandemic. We are proud that we are actively supporting these essential workers who are supporting our community right now.

Our society will change as a result of COVID-19. Expectations of corporates will alter, the concept of corporate social license will gain more ground to which a mutual customer focused organisation can more readily respond. Then there is still the resulting regulation and

legislation from the Banking Royal Commission which has been deferred due to the pandemic.

The financial year has been challenging and staff and customers have responded magnificently. Our digital revolution has been profound with ninety-five percent of staff now being able to work from home. It appears that our high standard of meeting customers' needs has been maintained and our customers have been very understanding and supportive of Bank First staff some of whom have had to change roles.

We continue to support our people to underpin the resilience and adaptability they have exhibited. Morale, mental wellbeing and staying connected in a digital world are some of the challenges. There will also be positives we can take out of this experience as we have had to change our operating routines to cater for the environment in which we find ourselves.

Customers facing hardships are being assisted through this uncertain period and we expect this to continue into the new calendar year.

Our financial performance for the year ended 30 June 2020 has been good and Bank First faces the future in a confident frame of mind.

I acknowledge the support of our customers as well as the dedication and support of staff, past and present Directors and Management who have worked with me over the last eighteen years – it has been a rewarding personal experience.

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





Financial Performance

Building upon and maintaining Bank First's sound financial position continued to be a focus in the 2020 financial year. Despite a historically low interest rate environment and significant economic uncertainty caused by the impact of COVID-19, Bank First remains well placed to deliver further growth and financial stability.

Maintaining strong financial results

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

COVID-19 and bushfires in the 2020 financial year caused significant social and economic impacts resulting in record low interest rates and increased costs.

This economic uncertainty entailed keeping a close eye on the external environment and our pricing strategy to ensure we maintained competitive interest rates and products for all customers. An ongoing focus helped both borrowers and savers achieve their financial goals and was reflected by growth in both loans and deposits.

Growth has been steady over the past financial year, with total assets increasing by 6.26% and total equity by 5.26%. Bank First is well positioned for continued growth with a capital adequacy ratio of 15.62%. A net profit of \$9.4m was delivered, based on sound management of the balance sheet, interest margin and expenditure.

These strong financial results ensure we are able to continue to invest in technologies to enhance customer experience and continue to provide financial benefit to our customers through competitive pricing, products and services to meet their needs.

2019-20 Financial Results



Loans
\$2.23b
(+1.94%)



Deposits
\$2.60b
(+6.37%)



**Profit after
income tax**
\$9.4m



Assets
\$2.86b
(+6.26%)



**Return on
Average Assets**
0.34%



**Funds Under
Advice**
\$344m



Customers
107,970

THANK YOU.

In these challenging times, you continue to give us your dedication, strength and above all, you give us hope. So now, more than ever, we want to give our thanks to Australia's educators and healthcare workers.





Thank you for putting others before yourself

We continue to recognise the selfless work of our educators and healthcare workers on the frontline in our communities, and thank them for their ongoing service in these difficult times.



Now more than ever we say thank you

As a bank that exists to serve educators and healthcare workers, now more than ever, we want to say thank you for everything that you do.

2020 has been a challenging year for our customers, many of whom work on the frontline in the healthcare and education sectors. From the Summer bushfires to the challenges of the COVID-19 pandemic we remain committed to providing support through these unprecedented times.

Our values are at the heart of everything we do. Driven by care and compassion, we readily offered financial assistance to all customers in need. It is of the upmost importance to us that our customers continue to be supported through this health and economic crisis.



At Bank First we are proud to live our values. We launched a 'Thank You' campaign to ensure our educators and healthcare workers know that we appreciate the work they are doing during the COVID-19 pandemic. This included delivering 'care packages' to staff at Mercy Health working on the frontline.





Customer focused

As we are owned entirely by our customers, we exist to financially empower people to realise their dreams – not to make money for shareholders.

From the products and services we offer, through to our dedicated staff, we pride ourselves on putting our customers first.

Supporting home buyers

We are proud to have been a part of the 'First Home Loan Deposit Scheme'. This new Government initiative enabled first home buyers with less than 20% deposit to avoid having to pay lenders mortgage insurance. This made the dream of home-ownership a possibility for many first home owners.

Fee Free Banking

Having listened to customer feedback Bank First made it easier for all customers to bank fee-free. This included removing limits of free transactions on for example EFTPOS.

More ways to pay

The introduction of Mobile Wallets through Apple Pay and Google Pay allowed our customers to pay using their mobile device.

Mobile App Upgrade

In November 2019 we upgraded our mobile app which included an enriched look and feel, enhanced navigation, easier payments and transaction searches.

Sustainability with an ethical approach

Supporting sustainability and the environment is not only important to Bank First, but also to our customers. That's why we continue to implement sustainable practices and offer products that reward environmentally friendly choices, such as our Green Car and Personal Loans.

We take an ethical approach to investing and do not invest in fossil fuels or live trade exports.

Focus on technology

The Bank continues to invest in the modernisation of its banking system to optimise our customers' online experience. This ensures we maximise efficiencies by providing staff with the tools to respond to customer enquiries in a proactive and responsive manner.

Intelligent automation has been embraced to enable the Bank to become more agile in the face of increased demand and a rapidly changing operating environment.

In part, this includes the adoption of robotics to automate repetitive human tasks. Customer data, including online forms can be processed faster to achieve reduced customer enquiry handling time and provide a more fulfilling customer experience.

Awards

Bank First is consistently recognised for the outstanding value we provide to customers. CANSTAR awarded the Bank with awards for our pension and online savings accounts, while Money Magazine recognised us as credit card issuer of the year.

Customer Pain Points

We actively listen to feedback and have a team focused on removing customer pain points. Throughout the year we implemented a number of initiatives to improve customer experience, including term deposit maturity enhancements and enabling contactless card payments at all retail stores.

1. You make:

\$ families
smile again





Supporting our Community with the Bank First Community Fund

Bank First has proudly been supporting community organisations since 1972. We remain committed to the education and healthcare sectors and are proud to support a range of initiatives through the Bank First Community Fund.



When you believe in something, you invest in it

The Bank First Community Fund was introduced to link our heritage with our new name and to highlight our continued investment in the education and healthcare communities.

The fund demonstrates the positive impact Bank First has on the community, by highlighting the collective projects and organisations we support.

Every year we provide funds for awards, sponsorships, donations and grants that are made available to our customers and business partners. This illustrates our unwavering belief in the impact and importance of our customer's work. We are proud to support the community and remain committed to continue to do so in the future.

Teaching Initiatives Program

Since, 1993 we have supported 568 schools and preschools with over \$700,000 of grants for innovative teaching ideas. Awards are granted in categories including, General Curriculum, Engage with Asia, Sustainability and Indigenous Culture. We were overwhelmed with the response this year and were pleased to be able to support 20 schools to bring their initiatives to life.

Once, the finalists have been selected the education community have the opportunity to vote for their favourite initiatives in our 'People's Choice Award'. This year the winning initiative came from Solway Primary School for their 'Travelling Classroom Library'.

Awards

- Australian College of Nurse Practitioners Business Innovation Award
- Resource Smart School Awards
- Monash Student Awards
- Principals' Association of Specialist Schools Awards
- LaTrobe University Awards
- Victorian Association of State Secondary Principals Learning and Leadership Awards

Partnerships and Sponsorships

- Mercy Health
- Victorian Teachers Games
- Business Managers Victoria
- Early Learning Association Australia
- BlueCross
- Australian Education Union
- Monash University – Faculty of Education
- Victorian Principal's Association
- Leading Aged Services Australia

Grants and Donations

- Teaching Initiatives Program
- State Schools Relief iPad Program
- Alannah & Madeline Foundation Buddy Bags Program
- Early Childhood Education Foundation
- Mercy Health Foundation
- One Box



Travelling Classroom Library

"At Solway Primary School we have set ourselves a high standard for achieving great reading outcomes for our students over the next four years. Our initiative is to create high-quality travelling classroom libraries for our Year 2 students. We wish to provide our students with an extensive range of fiction and non-fiction books from a variety of cultures that cater for a variety of interests and have range of reading levels. Providing increased choice will encourage positive attitudes towards reading and engage our more reluctant readers. By doing so, we aim to improve student reading outcomes. We would like to have four travelling classroom libraries that are held in colourful storage containers on wheels. By rotating these containers from classroom to classroom, students get access to a greater variety of books more often. Engaging activities linked to these libraries include reading for fun, recording their reading on iPads and reviewing books for the other Year 2 classes."





Our people and culture

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

We are proud of our culture and empower our people to ensure our values remain an integral part of who we are.

Our people and culture

Bank First is built on a set of strong values and behaviours, which is demonstrated through our interactions with each other and our customers. Culture continues to be of upmost importance for Bank First and therefore we focus on ensuring new and existing staff are aligned to our purpose and values.

Opportunities to further strengthen our culture are always encouraged and this has been achieved via initiatives designed to recognise achievements and ensure our staff feel valued. Ongoing communication and the engagement of our people via these initiatives has been especially important during COVID-19.

Living our values – COVID-19

With our values at the heart of Bank First, our support for our people has continued to come to life during COVID-19, as has the adaptability of our people. The transition to working from home was undertaken in a compassionate and supportive manner, ensuring our people had the technology and tools to interact with each other and our customers.

Wellbeing has continued to be a key focus. Acknowledging COVID-19 stressors and the impact on mental health, we developed strategies and initiatives to support our people, including external professional support.

Capability and development

With a direct connection to our value of 'We Learn and Grow', development of our people has continued to be a strong area of investment for Bank First. Key areas of focus have included leadership development, specialist programs and tertiary education support. Leader Network Hubs and leader peer interactions have also been areas where we have supported our leaders to learn from each other and stay connected with different parts of the Bank.

Our Values



We Care

We listen to our customers and do all we can to meet their needs. We support our people to be their best.



We Learn and Grow

We are passionate about building our collective knowledge. We actively seek to be agile and great.



We Empower

We enable our people and customers to achieve the best outcomes by being consistent and present.



We Do it For the Customer

We stand out by being authentic and honest. We are proud to do the right thing for our customers.