BNK Banking Corporation Limited
Level 14, 191 St Georges Terrace
Perth WA 6000

26 August 2022

BNK Banking Corporation Limited – Full Year Final Report (Appendix 4E) for the year ended 30 June 2022

The Directors of BNK Banking Corporation Limited (the "Company") are pleased to announce the audited results of the Company for the year ended 30 June 2022 as follows:

Results for announcement to the market

Extracted from the audited Financial Statements for the year ended	Movement	$'000 30 June 2022	$'000 30 June 2021
Revenue from continuing operations[1]	(18%)	21,411	26,151
Revenue from discontinuing operations	(21%)	266,225	337,405
Profit/(loss) after tax attributable to members	956%	59,787	5,659
From continuing operations (excl. gain on sale of discontinuing operations)[2]	*(267%)*	*(12,391)*	*(3,374)*
From discontinuing operations	*699%*	*72,178*	*9,033*

[1] Includes gross contract asset reduction of income by $11m during FY22. As comparable FY21 increase in income of $3m (net movement of $14m)

[2] Includes net contract asset expense of $6.6m and $5.9m of Finsure disposal related expenses in FY22.

Dividend Information	Amount Per Share (cents)	Franked Amount per Share (cents)	Tax rate for franking credit
Special Dividend 2022	34	34	30%

Ex-dividend Date	18 July 2022
Record Date	19 July 2022
Payment Date	26 July 2022

	30 June 2022	30 June 2021
Net Tangible Assets per share	$1.55	$0.74

The remainder of the information requiring disclosure to comply with Listing Rule 4.3A is contained in the attached copy of the Financial Statements and comments on performance of the Company included in the Investor Presentation dated 26 August 2022.

The following subsidiaries were disposed of during the year ended 30 June 2022:

Finsure Finance and Insurance Pty Ltd (previously 100% owned)
Beagle Finance Pty Limited (previously 100% owned)
Finsure Holding Pty Ltd (previously 100% owned)
Finsure Domain Names Pty. Ltd. (previously 100% owned)
1300 Home Loan Holdings Pty Limited (previously 100% owned)
Mystro CRM Pty Limited (previously 100% owned)
Wikibroker Pty limited (previously 100% owned)

Further information regarding BNK Banking Corporation Limited and its business activities can be obtained by visiting the Company's website at bnk.com.au

Yours faithfully

Jessie Klarić
Company Secretary

BNK Banking Corporation Limited
Annual Financial Report

ABN: 63 087 651 849

30 June 2022

Contents

CORPORATE INFORMATION

ACN: 087 651 849

Directors

Mr. Don Koch	(Chairman and Non-Executive Director)
Mr. Jon Denovan	(Independent Non-Executive Director)
Mr. Peter Hall	(Independent Non-Executive Director)
Ms. Elizabeth Aris	(Independent Non-Executive Director
Ms. Michelle Guthrie	(Independent Non-Executive Director)
Mr. Calvin Ng	(Non-Independent, Non-Executive Director)

Company Secretary
Ms Jessie Klaric

The registered office and principal place of business of the Company is:
Level 14, 191 St George's Terrace
Perth WA 6000
Phone: +(618) 9438 8888

Other Locations:
Level 5, 50 Cavill Avenue
Surfers Paradise Qld 4217

Sydney Office
Level 24, 52 Martin Place
Sydney NSW 2000

Share Registry:
Advanced Share Registry
110 Stirling Hwy
Nedlands WA 6009
Tel +(618) 9389 8033
Fax +(618) 6370 4203

Exchange Listing
Australian Securities Exchange Limited
Level 40, Central Park
152-158 St George's Terrace
Perth WA 6000
ASX Code: BBC

Auditors:
KPMG
300 Barangaroo Avenue
Sydney NSW 2000

Website Address:
www.bnk.com.au

Corporate Governance:
A copy of the Corporate Governance Policy Statement can be located using the following website address:
https://bnk.com.au/investor-centre/corporate-governance/

MESSAGE FROM OUR CHAIRMAN, DON KOCH

Dear Shareholder,

During the 2022 Financial Year, the BNK Group delivered improved financial performance, whilst concurrently implementing several initiatives to create a stronger platform for future growth.

FY22 Results

Statutory NPAT was $59.8 million compared to $5.7 million for the prior year.

The Company remains in a strong capital position with a Capital Adequacy Ratio (Level 2) of 47.5%, an increase of 26.1% from FY21.

A full explanation of the financial results is contained within the Operating and Financial Review.

Strong Platform for Growth

The past 12 months have seen BNK achieve many important milestones, further building on the Company's foundation for long term success.

The sale of Finsure to MA Financial Group Limited was completed on 7 February 2022, with BNK receiving $152.2 million in consideration. The sale represents an outstanding result. The gain on sale was recognised in the second half of the financial year, which was the primary driver of the Group's $59.8m Statutory NPAT.

On 3 May 2022, the Board announced its intention to return $60m in sale proceeds to shareholders, with an initial $40m returned to shareholders as a fully franked dividend on 26 July 2022.

The Board intends to pay the approximate remaining $20m as a capital return upon obtaining regulatory approval.

The material return to shareholders and the strong capital position of BNK following the Finsure sale are the first of many highlights. Our growth trajectory in settlements are highlighted by a record $309 million in total settlements in the fourth quarter, and 83% year on year growth in the balance sheet and Bendigo & Adelaide Bank funded portfolio to $985m. Our improved deposit base, which grew 52% year on year, and low arrears/strong risk management capabilities, particularly during Covid, demonstrate the Company's ability to perform strongly across all key areas.

Furthermore, the Company commenced its successful securitisation program, which has provided additional funding diversity in FY22 following the announcement in mid-2021 of a $250 million warehouse program with Bendigo & Adelaide Bank, and a $500 million warehouse with Goldman Sachs. The success of the Company's wholesale arm, Better Choice, was recognised by being awarded Non-Bank Lender of the Year at the Australian Lending Awards for the second consecutive year, adding to the significant accolades received by the Company.

We are a fast growing and well capitalised company, strongly positioned to accelerate growth, with significant expansion and margin transformation opportunities ahead.

Board and Leadership Changes

During the 2022 Financial Year, we further bolstered the BNK Board with the appointment of new and experienced Board & management team driving the next stage of growth, with additional NEDs bringing diverse capabilities and skills.

Michelle Guthrie and Calvin Ng both joined the Board in July 2021. Michelle brings media, entertainment, funds management, technology and professional services spanning more than 30 years, with Calvin contributing significant investment banking, mergers & acquisitions and funds management experience and was also a co-founder of Finsure.

We also strengthened our management team with the appointment of Allan Savins as CEO. Allan's impact on the performance of the business has been immediate and we look forward to Allan's continued contribution to the company's success.

MESSAGE FROM OUR CHAIRMAN (continued)

Summary

FY22 represented a milestone year for the Company and I am highly encouraged by the strong results we have delivered in the last 12 months, which once again demonstrates the value proposition to our distribution networks and the commitment and dedication of the BNK team.

In closing, I would like to thank shareholders for their continued support of the Company and we look forward to a strong 2023 Financial Year as we embark on a journey of business transformation towards higher margin returns and opportunity.

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity comprising BNK Banking Corporation Limited ("BNK" or the "Company") and the entities it controlled ("the Group") together with the consolidated financial report for the year ended 30 June 2022 and the auditor's report thereon.

DIRECTORS

The details of the Company's Directors in office at any time during or since the end of the year up to the date of this report are as follows. Directors were in office for the entire period unless otherwise stated below.

Current directors

Mr Don Koch	Chairman and Non-Executive Director
Mr Jon Denovan	Deputy Chairman and Non-Executive Director
Mr Peter Hall	Non-Executive Director
Ms Elizabeth Aris	Non-Executive Director
Ms Michelle Guthrie	Non-Executive Director (commenced 15 July 2021)
Mr Calvin Ng	Non-Executive Director (commenced 15 July 2021)
Mr John Kolenda	Executive Director (ceased 7 February 2022)

Don Koch (Independent Chairman and Non-Executive Director)

Mr Koch was appointed a Director on 11 June 2019 and Chairman of the Group on 7 July 2021.

Mr Koch was CEO of ING Bank in Australia from 2009 to 2012 before transferring to become CEO of ING Bank Italy from 2012 to 2016. He was the former CIO and part of the team that launched ING Direct in Australia. Mr Koch is a Governor on the Cerebral Palsy Association Research Foundation, Co-Chair and Advisor with the UTS Business School Industry Advisory Board, Chair of Cache Investment Management, (an Investment Management platform) Chair of ResusRight (a medtech manufacturer), Director of Target Fifteen and a Board Member of Glaucoma Australia. He holds a Masters in Banking and Finance from UTS, is a graduate of the Australian Institute of Company Directors and has completed the International Directors Program with INSEAD in Switzerland.

Mr Koch is the Chair of the Remuneration Committee and a Member of the Risk & Compliance Committee, Board Credit Committee and Audit Committee.

Peter Hall (Independent Non-Executive Director)

Mr Hall was elected as a Director in November 2015 and is an experienced financial services industry professional. Previous Board and industry appointments include: Non-Executive Director of BLSSA Pty Ltd (the licensing Board for Advantedge Financial Services, a NAB subsidiary) and Chair of the CoreLogic RP Data sponsored Residential Valuation Industry Advisory Group. Mr Hall has also held the senior executive position of Country Executive of Genworth Financial Aust. & NZ and Managing Director of Genworth Financial Mortgage Insurance Aust. & NZ.

Mr Hall holds a Graduate Diploma of Management, has completed Executive Management Programs at GE's global management college, a former Senior Associate of the Financial Services Institute of Australia, was a Fellow of the Australian Institute of Company Directors and has received a Distinguished Service Award from the Australian Securitisation Forum.

Mr Hall is the Chair of the Risk & Compliance Committee, Chair of the Board Credit Committee and is also a Member of the Audit Committee and Remuneration Committee.

Mr Hall is a Non-Executive Director of Pioneer Credit Limit (commenced January 2021).

Jon Denovan (Deputy Chairman and Independent Non-Executive Director)

Mr Denovan is a lawyer with significant banking, commercial, and property experience. Mr Denovan is a Special Counsel with leading national law firm having previously been the Managing Director/Partner of that firm (then known Gadens Lawyers Australia Limited).

Mr Denovan is recognised as a leading lawyer in financial services regulation in Australia.

Mr Denovan is currently a director and deputy chair BNK Banking Corporation Limited, chair of Sydney Bus Museum, and a director numerous other finance and property private companies. He was previously chair of Trainworks Limited (a NSW government instrumentality), a director of Aussie Home Loans Limited, the Credit and Investments Ombudsman Limited (CIO), and the Mortgage & Finance Association of Australia (MFAA). Mr

DIRECTORS' REPORT (continued)
Jon Denovan (Independent Deputy Chairman and Non-Executive Director) (continued)

Denovan was the first honorary member of the Mortgage & Finance Association of Australia in recognition of his contribution to the mortgage industry. Complementing Mr Denovan's skills in the finance industry is his significant experience in the property industry having worked with many leading property companies.

Mr Denovan is the Chair of the Audit Committee, a member of the Risk & Compliance Committee and Board Credit Committee.

Elizabeth Aris (Independent Non-Executive Director)
Ms Aris was appointed a Director on 18 June 2021 and is a senior business executive with experience in the US, China and Australia. Ms Aris is a Board Member or Advisor to a number of growth stage Technology businesses operating in multiple countries, and was recently Group Executive, Enterprise & Government at TPG Telecom. Prior to that Ms Aris held senior executive positions at Tasmanet, Trujillo Technology Group, Alcatel-Lucent (now Nokia) and Telstra, and consulting roles with Microsoft and Sprint. Ms Aris commenced her career in banking, and was a member of the Retail Bank executive team at Westpac. She has served as a Non-Executive Director in both publicly listed and private companies and spent 5 years in New York establishing a technology start up from concept to operations.

Ms Aris holds a Bachelor of Commerce (UWA) and a Post Graduate Diploma of Corporation Finance (UNSW). Ms Aris is a member of the Remuneration Committee.

During the last three years, Ms Aris has served on the Board of Vivid Technology Limited (Non-Executive Director from October 2018 to July 2019).

Michelle Guthrie (Independent Non-Executive Director)
Ms Guthrie was appointed a Director on 15 July 2021. Ms Guthrie has had an extensive career in media, entertainment, funds management, technology and professional services spanning more than 30 years, in both executive and non-executive roles. Ms Guthrie was Managing Director of the Australian Broadcasting Corporation between 2016 and 2018. Prior to that, Ms Guthrie held senior roles with Google, where she was the Managing Director of several divisions in APAC. Ms Guthrie was Managing Director of Providence Equity, a funds management firm based in Hong Kong, Chief Executive of Star Group and Corporate Counsel for Foxtel and News International. Ms Guthrie commenced her working career at Allen, Allen & Hemsley and holds a Bachelor of Arts and Law (Sydney).

Ms Guthrie has served on the Board of the following listed companies in the last three years:

- StarHub Limited (Non-Executive Director from August 2017 to date)
- Catapult Group International Limited (Non-Executive Director from December 2019 to date)
- Mighty Kingdom Limited (from November 2020 to date)

Calvin Ng (Non-Independent Non-Executive Director)
Mr Ng was appointed a Director on 15 July 2021. Mr Ng has significant investment banking, mergers & acquisitions and funds management experience. Mr Ng is a co-founder and Managing Director of the Aura Group, an independent corporate advisory, funds and wealth management firm. He was also a co-founder of Finsure, which merged with Goldfields Money Limited in 2018 to form BNK. Mr Ng holds a Bachelor of Commerce and Bachelor of Laws (UNSW) and was admitted to practice in the Supreme Court of NSW in 2010.

Mr Ng has served on the Board of the following listed companies in the last three years:

- iBuyNew Group Limited (from February 2013 to September 2019)
- Catapult Group International Limited (Non-Executive Director from November 2013 to November 2019)

FORMER DIRECTORS

John Kolenda (Previous Executive Director)
Mr Kolenda ceased to be a director upon completion of the sale of Finsure to MA Financial Group Limited on 7 February 2022.

Jon Sutton (Previous Chairman and Independent Non-Executive Director)
Mr Sutton was appointed to the Board on 22 October 2019 and resigned as a director on 7 July 2021.

DIRECTORS' REPORT (continued)

COMPANY SECRETARY

Jessie Klaric
Ms Klaric was appointed as company Secretary on 14 March 2022. Ms Klaric has over 15 years' experience providing legal advice to financial institutions and joined BNK in 2019 as Senior Legal Counsel. Prior to joining BNK Jessie worked at Dentons for over 10 years including a secondment to Bankwest in 2014.

Malcolm Cowell
Mr Cowell was the previous Company Secretary from 1 March 2017 until 14 March 2022.

PRINCIPAL ACTIVITIES
The principal activities of the Group were the provision of retail banking, mortgage management and mortgage broker aggregation services.

RECONCILIATION BETWEEN THE STATUTORY RESULTS (IFRS) AND THE MANAGEMENT REPORTED (NON IFRS) RESULTS

The discussion of operating performance in the Operating and Financial Review section of this report is presented on a statutory basis under IFRS with certain adjustments to reflect a management reported basis of the underlying performance of the business, unless otherwise stated. Management reported results are non-IFRS financial information and are not directly comparable to the statutory results presented in other parts of this financial report. A reconciliation between the two is provided in this section and the guidance provided in Australian Securities and Investments Commission Regulatory Guide 230 *'Disclosing non IFRS financial information'* ('RG 230') has been followed when presenting the management reported results. Non-IFRS financial information has not been audited by the external auditor, but has been sourced from the financial records of the Group. The reconciliation between the statutory results (IFRS) and the management/underlying reported (non-IFRS) results is presented below:

	FY22	**FY21**	**% change**
Statutory Net Profit After Tax ($'000s)	**59,786**	**5,659**	**956.9%**
Revenue adjustments			
• Disposal of Subsidiary (before tax)	-	(57)	
• Sale of equities	(319)	-	
Expense adjustments			
• IFRS fair value adjustments from Finsure acquisition	-	573	
• Software development costs	-	1,832	
• Restructuring and transition costs	4,833	-	
• Share Based Payments	1,742	-	
Tax effect of adjustments	(745)	(888)	
Disposal of Subsidiary (net of tax)	(72,178)	-	
Underlying Net Profit after Tax ($'000s) (Management-reported results)	**(6,881)**	**7,119**	**(196.7%)**

The adjustments summarised above reflect the current year (FY22) impact of:

- the gain on sale from the disposal of Finsure including distribution received (note 2.2.1);
- the costs related to the Finsure sale, including restructuring and accelerated share based payments (noted within operating expenses 2.4); and
- distribution received from an investment in Cuscal (noted within other income 2.3).

Adjustments for the prior year (FY21) reflect the impact of:

- the amortisation of fair value adjustments to intangible assets arising from the acquisition of Finsure in 2018;
- the adoption of new accounting standard requirements mandating the expensing of software development costs that were previously eligible to be capitalised; and
- the disposal of non-core subsidiaries.

DIRECTORS' REPORT (continued)

Key operating and financial metrics for the period were as follows:

Key Metric *Amounts in thousands of AUD*	**30 June 2022 ($'000s)**	**30 June 2021 ($000s)**	**Movement**
Net interest revenue	12,924	7,784*	67.3%
Net-commission (expense)/income	(4,808)	4,108*	(217.0%)
Non-interest revenue/(expense)	3,306	1,933*	71.0%
Gain from discontinued operations, net of tax	72,178	9,033	699.0%
Statutory net profit after tax	59,787	5,659	956.9%
Underlying net (loss)/profit after tax	(6,881)	7,119	(196.7)
Cash earnings	671	2,383	(71.8%)
Total assets	1,441,782	1,321,840	9.1%
On balance sheet loans – direct funded	782,698	501,705	56.0%
On balance sheet loans – warehouse funded	207,825	38,234	443.6%
Off balance sheet lending portfolio	1,684,559	1,933,474	(12.9%)
Aggregation loan book	-	56,619,729	-
Deposits	964,589	635,647	51.7%
Other key metrics			
Net interest margin (average)	1.26%	1.67%	(27.1%)
Cost to income ratio	104%	72.1%	43.7%
Capital adequacy ratio	47.51%	22.02%	115.6%

* Restated FY21 to exclude discontinued operations elements

OPERATING AND FINANCIAL REVIEW

The Group recorded an underlying net loss after tax for the year ended 30 June 2022 (FY22) of $6,880,730 (2021: profit of $7,119,000). Statutory net profit after tax of $59,786,787 a significant increase on the prior period due to the gain on disposal of Finsure, whilst cash earnings of $671,125 represented a material decrease over the comparative year. Earnings per share for 30 June 2022 is 51.61 (2021: 5.85).

Sale of Finsure

The sale of Finsure to MA Financial Group Limited announced to the market on 15 December 2021 completed on 7 February 2022 with the Group receiving $152.2 million in consideration. On 3 May 2022, the Board announced an intention to return $60m in sale proceeds to shareholders. On 26 July 2022, $40m was returned to shareholders as a fully franked dividend. The Board intends to pay the remaining $20m as a capital return, once regulatory approval is obtained.

The assets and liabilities of Finsure are no longer represented in the financial report for June 2022, and the gain on sale was recognised in the second half of the financial year.

During the reporting period, Finsure continued to generate loan originations through its platform of funders reflecting the ongoing productivity growth of accredited brokers and strong property market conditions. Finsure's statutory net profit result for the period from 1 July 2021 to 7 February 2022 was $5.1m.

Record settlements and loan-book growth

The Group had increased settlements of on balance sheet loans, with the direct funded loan book increasing 56% year on year. The distribution capability of the Group's Better Choice brand combined with capital and deposit raising initiatives during the year were key enables of this growth. Deposit growth of 52% resulted in a loan to deposit ratio of 81% demonstrating the ability to continue to raise deposits in the current environment which will fund growth.

In May 2021, the Group launched its first securitisation warehouse arrangement funded by Bendigo & Adelaide Bank and Blackstone. The warehouse further diversifies the Group's funding sources in a capital efficient manner. Loans originated into the warehouse are accounted for on balance sheet but the Group has achieved regulatory capital relief for the structure.

DIRECTORS' REPORT (continued)

OPERATING AND FINANCIAL REVIEW (continued)

In August 2021, the Group launched its second securitisation warehouse arrangement funded by Goldman Sachs. The warehouse leverages the Groups specialist lending capabilities. Loans originated into the warehouse are not recognized on balance sheet. BNK receives servicing fees and a post term out a profit share.

As at 30 June 2022, the Bullion Trust warehouse's lending book had grown to $207.8m, with the Goldman Sach's warehouse's lending book being $242.9m

Total lending settlements of $1,044m represented an 85% increase on the prior year. On balance sheet settlements of $426.6m (for directly funded loans) represented a 77% increase on the comparative year driving the 67% increase in net interest income. The total loan book for the Banking division of $2.7b increased by 8%, however the pivot to higher margin on balance sheet lending resulted in improved cash returns from the portfolio.

Section 5.1 of the annual report provides details on the material risks the Group is facing. There are sections on market, interest rate, credit, liquidity and operational risk which are the key risks facing the Group. There is also a section providing an overview of risk management, including roles and responsibilities

Strong credit quality

The loan book comprises 99% residential mortgages with an average loan to valuation ratio of 63.8%. Credit quality remains sound with loans more than 90 days in arrears equating to less than 0.3% of total on balance sheet loans. No credit write-offs occurred in the half, and the business now reflects a diversified national lender

Liquidity investments

The Group's cash and liquidity investments predominantly comprise physical cash, at call deposits, negotiable certificates of deposits, government (including semi-government) bonds, and floating rate notes. Liquidity management falls under the remit of Asset & Liability Committee (ALCO), which ensures the Group operates within its policy settings. ALCO also reviews and approves changes in product level interest rates and the implementation of new products. The increase in liquidity assets during the year to $140m reflects the strong increase in deposits and the proceeds of the Finsure sale.

Operating expenses

The Group continued to invest in its people and processes, with operating expenses increasing by 40% to $25.3m, compared to a 67.3% increase in Net Interest Income. This included a significant uplift in the risk management team and building to accommodate continued growth.

Capital

The Group's policy is to maintain a minimum capital adequacy ratio (CAR) as per APRA required levels plus 1.5%. The CAR at 30 June 2022 of 47.5% presents the Group with further growth opportunity for both on-balance sheet lending assets as well as investing in growth. In addition, it will fund the $60m distribution from the proceeds of the Finsure sale.

The Bank launched its second wholesale funding arrangement during the year through the issue of $14m of floating rate subordinated notes. The notes further diversify the Bank's sources of funding. Whilst classified as a liability in the financial report, the notes meet the eligibility criteria to be included in the Bank's Tier 2 capital for regulatory capital purposes, and are repayable in 2031.

DIRECTORS' REPORT (continued)

DIVIDENDS
No dividend was paid or declared by the Company in the period.

Declared after end of year
After the balance sheet date the following dividends were proposed and paid by the board of directors. The dividends have not been recognised as liabilities and there are no tax consequences.

	Cents per share	Total amount $'000	Date of payment
Ordinary	0.34	40,359	26 July 2022
Total amount		**40,359**	

The financial effect of these dividends have not been brought to account in the consolidated financial statements for the year ended 30 June 2022 and will be recognised in subsequent financial reports.

INTEREST IN SHARES AND OPTIONS OF THE COMPANY
As at the date of this report, the Directors hold shares of the Company in their own name or a related body corporate, as notified by the Directors to the ASX in accordance with S205G(1) of the *Corporations Act 2001* as follows:

	Number of ordinary shares	Number of options or performance rights over ordinary shares
Don Koch	-	-
Peter Hall	103,000	-
Jon Denovan	-	-
Elizabeth Aris	10,000	-
Michelle Guthrie	-	-
Calvin Ng	7,335,747	-

Interests in ordinary shares noted above were acquired by the Directors at their own expense and do not form part of their remuneration.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS
The Company has paid or agreed to pay a premium in relation to a contract insuring the Directors and Officers listed in this report against those liabilities for which insurance is permitted under S199B of the *Corporations Act 2001*. The terms of the policy prohibit disclosure of details of the amount of the insurance cover and the premium paid.

The Company has not otherwise, during or since the relevant period, indemnified or agreed to indemnify an Officer or auditor of the Company or of any related body corporate against a liability incurred as such an Officer or auditor.

MEETINGS OF DIRECTORS
The number of Board and Committee meetings held during the financial year, and attendance by each Director is as follows:

	Board		Audit Committee		Risk & Compliance Committee		Remuneration Committee		Credit Committee	
	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible
D Koch	16	16	4	4	6	6	3	4	5	5
P Hall	16	16	4	4	6	6	3	4	5	5
J Denovan	16	16	4	4	5	6	-	-	5	5
J Kolenda	8	8	-	-	-	-	-	-	-	-
E Aris	16	16	-	-	-	-	3	4	-	-
M Guthrie	15	15	-	-	-	-	-	-	-	-
C Ng	15	15	-	-	-	-	-	-	-	-
J Sutton	-	-	-	-	-	-	-	-	-	-

DIRECTORS' REPORT (continued)

CHANGES IN THE STATE OF AFFAIRS

On 21 September 2021, the Group announced it had appointed advisors to commence a strategic review of the Group with the objective of maximising shareholder value.

On 15 December 2021, the Group announced the sale of the Finsure aggregation business to MA Financial for $145 million in cash, subject to regulatory approval and cash adjustments.

On 7 February 2022, the Company completed the sale of the Finsure aggregation business for consideration of $152.2 million (before costs and income tax) comprising the sale price of $145 million plus the Finsure cash adjustment under the Share Sale Agreement.

Except for the matters discussed above and elsewhere in this Directors' Report, in the opinion of the Directors, there were no other significant changes in the state of affairs of the Company that occurred during the financial year under review.

EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 26 July 2022 a fully-franked special dividend of 34 cents per share, for a total distribution to shareholders of approximately $40 million was paid.

BNK is proposing to distribute $60 million in proceeds from the sale of Finsure to its shareholders, by way of the above noted special dividend ($40m) and a capital return. Further information in relation to the planned capital return of approximately $20 million will be announced once regulatory approvals are obtained.

Other than the matters noted above, in the opinion of the Directors there has not arisen in the period between the end of the financial year and the date of this report any other material item, transaction or event that is likely to significantly affect the operations of the Company.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under S237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

ENVIRONMENTAL REGULATIONS AND ADDRESSING CLIMATE RISK

The Company's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

The Group acknowledges the global threat posed by climate change to the environment and economy, and supports initiatives to minimise the threat. The Group primarily services individuals through the provision of residential loans for the construction or purchase of houses, and mortgage brokers through the provision of aggregation services. The Group does not have any material exposure to environmentally sensitive industries.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

No other matter, circumstance or likely development in the operations has arisen since the end of the financial year that has significantly affected or may significantly affect:

(i) The operations of the Company;
(ii) The results of those operations; or
(iii) The state of affairs of the Company

in the financial years subsequent to this financial year.

NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, KPMG. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 and APES 110 Code of Ethics for Professional Accountants. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Details of the amounts paid to the auditor of the Company, KPMG for audit and non-audit services for the year ended 30 June 2022:

DIRECTORS' REPORT (continued)

	$
Non audit services	
Accounting and tax opinions	28,463
Audit and assurance services	
Audit and review of financial statements	510,185
Regulatory assurance services	168,686
Total audit and assurance services	678,871
Total amounts paid to KPMG	**707,334**

AUDITORS INDEPENDENCE DECLARATION

The lead auditor's independence declaration provided in accordance with S307C of the Corporations Act 2001 is set out on page 28 and forms part of the Directors' report for the financial year ended 30 June 2022.

The Remuneration Report commencing on the following page forms part of this Directors' Report.

ROUNDING OFF

The Group is a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that Instrument, amounts in the consolidated financial statements and directors' report have been rounded off the nearest thousand dollars, unless otherwise stated.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED)

This Remuneration Report for the year ended 30 June 2022 outlines the remuneration arrangements of the Group in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act. The Remuneration Report is presented under the following sections:

1. Introduction
2. Remuneration governance
3. Executive remuneration arrangements
   A. Remuneration principles and philosophy
   B. Approach to setting remuneration
   C. Detail of incentive plans
4. Executive remuneration outcomes for 2022 (including link to performance)
5. Executive contracts
6. Non-executive director remuneration (including statutory remuneration disclosures)
7. Additional disclosures relating to options, performance rights and shares
8. Loans to key management personnel and their related parties
9. Other transactions and balances with key management personnel and their related parties
10. Remuneration incentives approved subsequent to balance date

1. Introduction
The Remuneration Report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.

The table below outlines the KMP of the Group and their relevant changes during the year ended 30 June 2022:

Non-Executives

Director	Position	Appointment date	Resignation/ completion date
Don Koch[1]	Non-Executive Director/Chairman	11 June 2019	-
John Sutton	Non-Executive Chairman	22 October 2019	7 July 2021
Jon Denovan	Non-Executive Director	2 September 2019	-
Peter Hall	Non-Executive Director	13 November 2015	-
Elizabeth Aris	Non-Executive Director	18 June 2021	-
Michelle Guthrie	Non-Executive Director	15 July 2021	-
Calvin Ng	Non-Executive Director	15 July 2021	-

[1] Appointed Chairman 7th July 2021.

Executives

Executive	Position	Appointment date	Resignation/ completion date
Brett Morgan	Chief Executive Officer, Banking and Wholesale	12 October 2020	17 January 2022
John Kolenda	Executive Director and Chief Executive Officer, Finsure	13 March 2018	7 February 2022*
Allan Savins	Chief Executive Officer	17 January 2022	-
Simon Bednar	General Manager, Aggregation	17 September 2018	7 February 2022*
Andrew Kitchen	Chief Financial Officer	26 October 2020	-
Dara Wettner	Chief Risk Officer	11 January 2021	-
Amber Smith	Chief Operating Officer	12 October 2020	-

* Ceased to be Executives of the Group following the sale of Finsure to MA Financial Group Limited.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED)

2. Remuneration governance

The Board of Directors is responsible for determining and reviewing compensation arrangements for the executive team. The Remuneration Committee assists the Board in meeting its responsibilities to ensure that remuneration practices are appropriate with regards to the Group's size and scale of operations, and to ensure that the Group can continue to attract and retain high caliber individuals to key executive roles.

Remuneration Committee

The Remuneration Committee comprises three Non-Executive Directors (NEDs) with all being independent. The Remuneration Committee meets periodically and is required to make recommendations to the board on matters related to the remuneration arrangements for NEDs and executives. The Chief Executive Officers attends certain Remuneration Committee meetings by invitation, where management input is required. Executives are not present during any discussions related to their own remuneration arrangements.

The Board approves the remuneration arrangements of the executive leadership team and all awards including incentive plans and other employee benefit programs. The Board also sets the aggregate remuneration of NEDs, which is then subject to shareholder approval, and NED fee levels.

Further information on the remuneration committee's role, responsibilities and membership can be found on the company website at https://bnk.com.au/investor-centre/corporate-governance/.

Use of remuneration consultants

No remuneration consultants were engaged by the Company for the year ended 30 June 2022.

Remuneration Report approval at 2021 Annual General Meeting (AGM)

The 2021 Remuneration Report received positive shareholder support at the 2021 AGM with a vote of 99.7%.

3. Executive remuneration arrangements

3.1 Remuneration principles and philosophy

The objective of the Group's remuneration strategy is to attract and retain executives who will create shareholder value and fairly and responsibly reward them for performance. The Board believes it is critical to consider how long-term sustainable value is created in the Group and link remuneration structures to this value creation. The Group's remuneration policy is also intended to encourage behaviours that support an improvement in the financial performance of the business over time, sound risk management practices and positive customer service experiences.

To this end, the Group applies the following principles to its remuneration framework:

- Provide competitive rewards to attract and retain high-caliber people;
- Link executive rewards to shareholder value; and
- Provide for a significant proportion of the executive remuneration to be "at risk" – that is, dependent upon meeting predetermined performance indicators.

In accordance with best practice corporate governance, the structure of NED remuneration is separate and distinct from executive remuneration (refer to section 6 of this Remuneration Report for information on NED remuneration).

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED)

Remuneration is comprised of three distinct components within BNK, these are described below:

Remuneration component	Vehicle	Purpose	Link to performance
Fixed remuneration	Represented by total employment cost (TEC). Comprises base salary, superannuation contributions and other benefits.	To provide competitive fixed remuneration set with reference to role, market and experience.	Group and individual performance are considered during the annual remuneration review.
Short term performance based incentive (STI)	Paid in cash or performance rights.	Rewards executives for their contribution towards achievement of Company outcomes, as well as their performance against individual key performance indicators (KPIs).	Linked to other internal financial measures, strategic objectives, risk management, compliance and leadership.
Long term incentive plan (LTI)	Performance rights.	Rewards executives for their contribution to the creation of shareholder value over the longer term.	The TLTIP introduced from 1 July 2021 links reward to growth in shareholder value over a 3 year period, with hurdles comprising growth in earnings per share and growth in cash earnings per share over the 3 year vesting period (see note 3.3 for FY22 modification).

3.2 Approach to setting remuneration
The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group and aligned with market practice of entities of a similar size, nature and complexity.

Remuneration levels are considered annually through a remuneration review that considers the performance of the Group and individual, and the broader economic environment.

3.3 Detail of incentive plans

Short-term incentive (STI)
In determining the extent of any performance based incentive the Board assesses the achievement of an individual's performance in context of the overall Group result. Equity incentives are awarded in accordance with the requirements of the Banking Executive Accounting Regime (BEAR). The BEAR was implemented in Australia to establish clear and heightened expectations of accountability for directors and executives of Authorised Deposit-taking Institutions, and to ensure there are clear consequences in the event of a material failure to meet those expectations. BEAR applies to BNK from 1 July 2019 and results in a proportion of variable remuneration for a year being deferred for a period of 4 years from grant date. For STI's within the Group, only service vesting conditions are applied.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED)

Long-term incentive (LTI)
LTI awards will be made to executives in order to align remuneration with the creation of shareholder value over the long-term. As such, LTI awards are only made to executives and other key talent who have an impact on the Group's performance against the relevant long-term performance measure.

Shareholders of the Company approved the continuation of the BNK Equity Incentive Plan ("the Plan") at the 2019 Annual General Meeting held on 26 November 2019. Pursuant to the terms of the Plan, executives may be offered performance rights that entitle the executive to the Company delivering fully paid ordinary shares, either issued by the Company or acquired on-market, at the election of the Board.

The Board implemented the Transformational Long Term Incentive Plan (TLTIP) for members of the executive leadership team (ELT) with effect from 1 July 2021. Pursuant to the TLTIP, members of the ELT were granted performance rights equivalent to 150% of their base remuneration on 18 August 2021, and calculated with reference to the 30 day VWAP for the Company's securities for the 30 day period ended 30 June 2021, and underlying earnings per share for the year ended 30 June 2021. All rights were valued at the grant date of 18 August 2021. The performance rights are subject to an initial 3 year performance period with the following hurdles:

- growth in share price over the 3 year vesting period; and
- growth in cash earnings per share over the 3 year vesting period.

Upon completion of the initial 3 year vesting period, the Board will determine the amount of performance rights to vest based upon the measured outcomes. Subject to achievement of the vesting conditions, 60% of the performance rights under the TLTIP will be eligible to vest immediately with the remaining 40% deferred for a further year (i.e. making a 4 year period before the TLTIP can be exercised in accordance with the APRA BEAR requirements). The vesting criteria for the TLTIP are summarised below

Hurdle 1 Compound annual growth in Share price	Hurdle 2 Compound annual growth in underlying EPS	Proportion vesting per Tranche
Less than 15%	Less than 15%	Nil
15%	15%	50%
>15% – 30%	> 15% - 30%	Pro-rata on a straight-line basis between 50% – 100%
>30%	> 30%	100%

Modified Vesting Conditions of LTIs
On 28 January 2022, due to the sale of Finsure, the Board approved the final vesting of LTIs for Finsure executives, when the share price was $1.24.This included removing the EPS performance hurdle described above and subsequently reducing the potential LTI grant by 50%. On 3 May 2022, the Remuneration Committee of the group approved the final vesting for BNK executives when the share price was $1.125. The terms of the LTIs prior to alteration were as described above and the LTIP scheme was subsequently terminated with all performance rights not granted being cancelled. The difference between the fair value of the rights before and after the alteration is considered immaterial.

Termination and change of control provisions
Where a participant ceases employment prior to their award vesting due to resignation or termination for cause, awards will be forfeited unless otherwise agreed by the Board. Where a participant ceases employment for any other reason, they may retain a portion of the unvested benefit pro-rated to reflect participant's period of service during the STI and TLTIP grant performance period. These unvested benefits only vest subject to meeting the relevant LTI performance measures, subject to the Board's discretion.

In the event of a change of control of the Group, the performance period end date will generally be brought forward to the date of the change of control and awards will vest subject to performance over this shortened period, subject to ultimate Board discretion.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED)

Hedging of equity awards
The Group has a policy prohibiting executives from entering into arrangements to protect the value of the equity awards. The prohibition includes entering into contracts to hedge their exposure to options awarded as part of their remuneration package.

4.1 Executive remuneration outcomes for 2022 (including link to performance)

Group performance and its link to short-term incentives
In considering the Group's performance and benefits for shareholder wealth, the remuneration committee has regard to the following:

	2022	2021	2020	2019	2018
Profit/(loss)	59,787,040	5,659,000	3,824,000	3,614,000	(406,000)
Dividends paid	Nil	Nil	Nil	Nil	Nil
Share price at balance date	$0.96	$0.735	$0.43	$0.64	$1.28
Return on capital employed	31.4%[1]	4.42%	3.50%	3.60%	(1.65%)

[1] ROCE for continuing operations equates to (10.48%)

Profitability is one of the financial performance targets considered in setting remuneration for executives, and has been calculated based on financial information prepared in accordance with Australian Accounting Standards. Performance to budget is another key measure considered by the BNK Board when appropriate to the business objectives.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED)

4.1 Remuneration of key management personnel

		Short-term benefits				Post-employment	Other long term	Shared-based payments		Termination	Total	Performance related
		Salary & fees	Cash bonus	Non-monetary benefits (B)	Total	Superannuation	Long service leave	STI (A)	LTI (C)			
		$	$	$	$	$	$	$	$	$	$	%
Current Executives	**Year**											
Allan Savins[1]	**2022**	**380,452**	**50,000**	**-**	**430,452**	**32,707**		**33,500**	**225,246**	**-**	**721,905**	**31%**
	2021	366,035	-	-	366,035	33,260	6,806	24,000	36,022	-	466,123	8%
Andrew Kitchen[2]	**2022**	**330,256**	**-**	**10,000**	**340,256**	**27,500**	**-**	**-**	**159,415**	**-**	**527,171**	**30%**
	2021	211,559	-	5,833	217,392	15,780	-	-	-	-	233,172	-
Dara Wettner[3]	**2022**	**266,349**	**-**	**-**	**266,349**	**25,731**	**-**	**6,000**	**136,846**	**-**	**434,925**	**31%**
	2021	121,246	-	-	121,246	10,962	-	-	-	-	132,208	-
Amber Smith[4]	**2022**	**240,669**	**-**	**4,376**	**245,045**	**22,500**	**-**	**-**	**121,594**	**-**	**389,139**	**31%**
	2021	167,651	-	2,861	170,512	14,668	-	-	-	-	185,180	-

[1] Appointed Chief Executive Officer from 17 January 2022 (previously General Manager, Banking & Wholesale)
[2] Appointed Chief Financial Officer from 26 October 2020
[3] Appointed Chief Risk Officer from 11 January 2021
[4] Appointed Chief Operating Officer from 12 October 2020

(A) – The fair value of performance rights granted as a STI is determined by recognising the grant date fair value over the relevant service condition period.
(B) – Non-cash benefits generally comprise housing allowance and/or car parking benefits
(C) – The fair value of performance rights is calculated at the grant date using the Monte-Carlo simulation model, taking into account the impact of the market and non-market conditions attached to the performance rights.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED)

		Short-term benefits				Post employment	Other long term	Shared-based payments		Termination	Total	Performance related
		Salary & fees	Cash bonus	Non-monetary benefits (B)	Total	Superannuation	Long service leave	STI (A)	LTI (C)			
		$	$	$	$	$	$	$	$	$	$	%
Former Executives	**Year**											
Brett Morgan[1]	**2022**	**248,291**	**50,000**	**5,417**	**303,707**	**14,009**	**-**	**32,560**	**-**	**-**	**350,276**	**-**
	2021	306,359	-	7,083	313,442	16,271	-	-	-	-	329,713	-
John Kolenda[2]	**2022**	**411,189**	**153,000**	**11,667**	**575,856**	**-**	**-**	**-**	**365,841**	**-**	**941,697**	**39%**
	2021	660,000	-	20,000	727,500	-	-	47,500	7,699	-	735,199	1%
Simon Bednar[2]	**2022**	**208,069**	**75,000**	**-**	**283,069**	**14,617**	**5,078**	**53,964**	**226,777**	**-**	**583,505**	**39%**
	2021	330,003	-	-	330,003	30,875	8,380	30,000	37,330	-	436,588	9%
Don Koch[3]	2021	132,685	-	-	132,685	11,479	-	-	-	-	144,164	-
Jussi Nunes[4]	2021	86,999	-	-	86,999	14,101	-	-	-	100,000	201,100	-
Malcolm Cowell[5]	2021	28,846	-	287	29,133	2,740	-	-	3,863	-	35,736	11%
Steve Ellis[6]	2021	77,743	-	-	77,743	5,305	-	-	-	-	83,048	-
Gerard Ng[7]	2021	48,653	-	-	48,653	4,622	-	-	-	-	53,275	-
Lisa Stedman[8]	2021	48,843	-	-	48,843	4,385	-	36,000	-	-	89,228	-
Total KMP remuneration	**2022**	**2,085,274**	**328,000**	**31,459**	**2,444,733**	**137,064**	**5,078**	**126,024**	**1,235,718**	**-**	**3,948,617**	**31%**
	2021	2,586,622	-	36,064	2,622,686	164,448	15,186	137,500	84,914	100,000	3,124,734	3%

[1] Appointed Chief Executive Officer from 12 October 2020 and resigned 17 January 2022
[2] Ceased to be a KMP of the Company following the sale of Finsure on 7 February 2022
[3] Interim Chief Executive Officer from 26 May 2020 to 12 October 2020
[4] Resigned 5 September 2020
[5] Interim Chief Financial Officer from 5 September 2020 to 26 October 2020
[6] Resigned 6 October 2020
[7] Interim Chief Risk Officer from 6 October 2020 to 12 December 2020
[8] Resigned 29 August 2020

(A) – The fair value of performance rights granted as a STI is determined by recognising the grant date fair value over the relevant service condition period.
(B) – Non-cash benefits generally comprise car parking benefits
(C) – The fair value of performance rights is calculated at the grant date using the Monte-Carlo simulation model, taking into account the impact of the market and non-market conditions attached to the performance rights.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED)

4.2 Analysis of cash bonuses included in remuneration – audited

Details of the vesting profile of the short-term incentive cash bonuses awarded as remuneration to each key management personnel are detailed below:

	Included in remuneration
Brett Morgan	$50,000
John Kolenda	$153,000
Allan Savins	$50,000
Simon Bednar	$75,000

The amounts included in remuneration for the financial year represent the amount related to performance for the previous financial year based on achievements, as approved by the Remuneration Committee on 30 July 2021. In determining the extent of any performance based incentive the Board assesses the achievement of an individual's performance in context of the overall Group result.

4.3 Equity instruments - audited

Performance rights refer to rights over ordinary shares of BNK, which vest on a one-for-one basis under the BNK Equity Incentive Plan and the Transformational Long Term Incentive Plan (TLTIP).

4.3.1 Rights over equity instruments granted as compensation – audited

Details on rights over ordinary shares in the Company that were granted as remuneration to each key management personnel during the reporting period are as follows:

Participant	Number granted FY22	Vesting condition	Grant date	Fair value /performance right at grant date ($)	Expiry date
Allan Savins	700,000	Service and performance	18 August 2021	0.5225	30 June 2027
Allan Savins	41,875	Immediate	1 September 2021	0.80	30 June 2026
Allan Savins	20,625	Service	1 September 2021	0.80	30 June 2026
Andrew Kitchen	600,000	Service and performance	18 August 2021	0.5225	30 June 2027
Simon Bednar	650,000	Service and performance	18 August 2021	0.5225	30 June 2027
Simon Bednar	67,455	Immediate	1 September 2021	0.80	30 June 2026
Simon Bednar	26,295	Service	1 September 2021	0.80	30 June 2026
Amber Smith	440,000	Service and performance	18 August 2021	0.5225	30 June 2027
Dara Wettner	500,000	Service and performance	18 August 2021	0.5225	30 June 2027
Dara Wettner	7,500	Immediate	1 September 2021	0.80	30 June 2026
Dara Wettner	5,000	Service	1 September 2021	0.80	30 June 2026
John Kolenda	1,200,000	Service and performance	18 August 2021	0.5225	30 June 2027
Brett Morgan	40,700	Immediate	1 September 2021	0.80	30 June 2026

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED)

4.3.2 Performance rights granted

During the reporting period the Group granted the following performance rights to the KMP's;

a) On 18 August 2021, 3,690,000 performance rights were granted to executives under the Transformational Long Term Incentive Plan (TLTIP). The vesting conditions for the rights provided for 60% vesting in 3 years with the remainder vesting in 4 years. The sale of Finsure saw the vesting conditions of these performance rights accelerated by the Board with 1,407,204 rights terminated, 800,000 rights forfeited, and 1,482,796 exercised. Of the rights exercised between 10% and 19% remain in escrow until 30 June 2025. Refer to 3.3 for details of the modification.

b) On 1 December 2021, 1,200,000 performance rights were awarded to Mr John Kolenda as part of the TLTIP. These performance rights vesting conditions were accelerated on the sale of Finsure, with 576,000 terminated and 624,000 exercised of which 21% are held in Escrow until 30 June 2025. Refer to 3.3 for details of the modification.

c) On 1 September 2021, 231,250 performance rights were awarded to 4 employees in recognition of their performance for the year ended 30 June 2021 ('FY21 Bonus"). 157,530 of these performance rights vested immediately, with the remaining rights, deferred to 1 September 2025. The sale of Finsure saw 26,295 of performance rights exercised in February 2022, whilst 21,800 have been forfeited. 25,625 remain vested to 1 September 2025.

4.3.3 Details of equity incentives affecting current and future remuneration – audited

Details of the vesting profiles of the performance rights held by each executive of the Group are detailed below:

Participant	Number	Grant date	% vested FY22	% forfeited FY22	Financial years in which grant vests
Allan Savins	66,667	16 April 2019	100%	0%	2021
	66,667	16 April 2019	100%	0%	2022
	16,667	5 December 2019	100%	0%	2021
	16,667	5 December 2019	100%	0%	2022
	16,666	5 December 2019	0%	0%	2023
	40,000	28 August 2020	100%	0%	2021
	40,000	28 August 2020	0%	0%	2025
	700,000	18 August 2021	50.4%	49.6%	2022[1]
	41,875	1 September 2021	100%	0%	2022
	20,625	1 September 2021	0%	0%	2026
Simon Bednar	66,667	16 April 2019	100%	0%	2021
	66,667	16 April 2019	100%	0%	2022
	16,667	5 December 2019	100%	0%	2021
	16,667	5 December 2019	100%	0%	2022
	16,666	5 December 2019	100%	0%	2022
	50,000	28 August 2020	100%	0%	2021
	50,000	28 August 2020	100%	0%	2022
	650,000	18 August 2021	52%	48%	2022[1]
	67,455	1 September 2021	100%	0%	2022
	26,295	1 September 2021	100%	0%	2022[1]

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED)

4.3.3 Details of equity incentives affecting current and future remuneration – audited (Continued)

Participant	Number	Grant date	% vested FY22	% forfeited FY22	Financial years in which grant vests
Brett Morgan	40,700	1 September 2021	100%	0%	2022
Andrew Kitchen	600,000	18 August 2021	50.9%	49.1%	2022[1]
Amber Smith	440,000	18 August 2021	52.9%	47.1%	2022[1]
John Kolenda	62,500	1 December 2020	100%	0%	2021
	62,500	1 December 2020	100%	0%	2022[1]
	1,200,000	18 August 2021	52%	48%	2022[1]
Dara Wettner	500,000	18 August 2021	50.9%	49.1%	2022[1]
	7,500	1 September 2021	100%	0%	2022
	5,000	1 September 2021	0%	0%	2026

[1] Refer to 3.3 for details of modification

a) On 16 April 2019, 400,000 performance rights were awarded to two senior employees as retention rights. One third of these performance rights each vest on 1 July 2019, 1 July 2020 and 1 July 2021. For the first tranche and second tranche, 266,666 have been exercised. For the third tranche, 133,334 vested on 1 July 2021.

b) On 5 December 2019, 100,000 performance rights were awarded to two employees in recognition of their performance for the year ended 30 June 2019 ('FY19 Bonus"). One third of these performance rights each vest on 30 September 2020, 30 September 2021 and 30 September 2022 subject to the approval of the Remuneration Committee and continued service. For the first and second tranche, 66,668 have been exercised. For the remaining tranche, 16,666 were vested and exercised on 7 February (due to the Finsure Sale), and 16,666 remain to be exercised on 30 September 2022.

c) On 28 August 2020, 180,000 performance rights were awarded to two employees in recognition of their performance for the year ended 30 June 2020 ('FY20 Bonus"). 50% of the performance rights vested immediately, with the remaining 50% deferred to 31 July 2024 subject to continued service. Of the remaining performance rights, 50,000 were exercised on 7 Feb 2022 (Finsure sale) and 40,000 remain to be vested.

d) On 1 December 2020, 125,000 performance rights were awarded to Mr John Kolenda as a FY20 Bonus following receipt of shareholder approval at the 2020 Annual General Meeting. These performance rights were exercised at the time of the Finsure Sale in February 2022.

4.3.4 Analysis of movements in equity instruments – audited

The value of performance rights in the Company granted during and exercised during the reporting period is detailed below:

Current key management personnel

Participant	Granted in year $ (A)	Value of rights exercised in year $ (B)
Allan Savins	234,301	509,562
Andrew Kitchen	159,415	350,865
Amber Smith	121,594	267,623
Dara Wettner	142,846	299,888

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED)

4.3.4 Analysis of movements in equity instruments – audited

Former key management personnel

Participant	Granted in year $ (A)	Value of rights exercised in year $ (B)
Brett Morgan	32,560	32,560
Simon Bednar	251,605	659,547
John Kolenda	326,040	928,760

(A) The value of rights granted in the year is the fair value of the rights calculated at grant date. This amount is allocated to remuneration over the vesting period.

(B) The value of rights exercised during the year is calculated at the market price of shares of the Company as at close of trading on the date the rights are exercised.

4.3.5 Summary of rights holdings

Current key management personnel

Participant	Held at 1 July 2021	Granted as remuneration	Exercised	Lapsed	Forfeited	Held at 30 June 2022	Vested during the year	Vested and unexercisable at 30 June 2022
Allan Savins	140,000	762,500	(477,938)	-	(347,270)	77,292	477,939	-
Andrew Kitchen	-	600,000	(305,100)	-	(294,900)	-	305,100	-
Amber Smith	-	440,000	(232,716)	-	(207,284)	-	232,716	-
Dara Wettner	-	512,500	(261,750)	-	(245,750)	5,000	261,750	-

Former key management personnel

Participant	Held at 1 July 2021	Granted as remuneration	Exercised	Lapsed	Forfeited	Held at 30 June 2022	Vested during the year	Vested and unexercisable at 30 June 2022
Simon Bednar	150,000	743,750	(581,750)	-	(312,000)	-	581,750	-
Brett Morgan	-	62,500	(40,700)	-	(21,800)	-	40,700	-
John Kolenda	125,000	1,200,000	(749,000)	-	(576,000)	-	686,500	-

5. Executive Contracts

Remuneration arrangements for KMP are formalised in employment agreements. Details of these contracts are provided below:

Executives	Salary per annum	Term for cause	Term of agreement and notice period
Andrew Kitchen	$315,000 plus superannuation	None	Continuing with 3 months' notice by either party
Dara Wettner	$260,000 plus superannuation	None	Continuing with 3 months' notice by either party
Amber Smith	$260,000 plus superannuation	None	Continuing with 3 months' notice by either party
Allan Savins	$400,000 plus superannuation	None	Continuing with 3 month notice by either party

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED)

6. Non-executive director remuneration arrangements - Audited

Remuneration policy

The board seeks to set aggregate remuneration at a level that provides the Group with the ability to attract and retain directors of the highest caliber, whilst incurring a cost that is acceptable to shareholders. The amount of aggregate remuneration sought to be approved by shareholders and the fee structure is reviewed annually against fees paid to NEDs.

The Company's constitution and the ASX listing rules specify that the NED fee pool shall be determined from time to time by a general meeting. The latest determination was at the 2021 AGM held on 25 November 2021 when shareholders approved an aggregate fee pool of $800,000 per year.

Structure

The remuneration of NEDs consists of directors' fees. The table below summarises the base NED fees excluding superannuation contributions for the financial year ended 30 June 2022:

Type of Fee	Amount per annum
Chairman base fee	$130,000
Non-executive Director base fee	$70,000
Chair of Board sub-committees	$10,000 per committee
Membership of Board sub-committees	$5,000 per committee

NEDs receive superannuation contributions of 10.0% (10.5% from 1 July 2022) of earnings but do not receive any other retirement benefits, nor do they participate in any incentive programs.

The remuneration of NEDs for the years ended 30 June 2022 and 30 June 2021 is detailed in table below.

		Short-term benefits			Post-employment	Long-term benefits	
		Salary & fees $	**Non-monetary benefits**	**Other**	**Superannuation**	**Long service leave**	**Total**
Non-executive directors							
Don Koch[2]	**2022**	**154,091**	**-**	**-**	**15,409**	**-**	**169,500**
	2021	62,707	-	-	5,957	-	68,664
Peter Hall	**2022**	**100,000**	**-**	**-**	**10,000**	**-**	**110,000**
	2021	86,809	-	-	8,247	-	95,056
Jon Denovan	**2022**	**89,924**	**-**	**-**	**8,992**	**-**	**98,917**
	2021	77,821	-	-	7,393	-	85,214
Elizabeth Aris[3]	**2022**	**77,311**	**-**	**-**	**7,731**	**-**	**85,042**
	2021	2,301	-	-	219	-	2,520
Michelle Guthrie[4]	**2022**	**67,348**	**-**	**-**	**6,735**	**-**	**74,083**
	2021	-	-	-	-	-	-
Calvin Ng[4]	**2022**	**64,167**	**-**	**-**	**6,417**	**-**	**70,583**
	2021	-	-	-	-	-	-
Former directors							
Jon Sutton[1]	**2022**	**2,936**	**-**	**-**	**294**	**-**	**3,229**
	2021	142,813	-	-	13,567	-	156,380
Total	**2022**	**555,776**	**-**	**-**	**55,578**	**-**	**611,354**
	2021	372,451	-	-	35,383	-	407,834

[1] Retired as Chairman and Director on 7 July 2021
[2] Appointed Chairman on 7 July 2021
[3] Appointed 18 June 2021
[4] Appointed 15 July 2021

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED)

7. Additional disclosures relating to options and shares

The numbers of shares in the Company held during the financial year by each director of the Company and other key management personnel, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

Shareholdings of key management personnel

2022	Balance at the start of the year or commencement date	Acquired	Other movement	Balance at the end of the year or date of resignation
Directors				
Peter Hall	72,034	30,966	-	103,000
Don Koch	-	-	-	-
Jon Denovan	-	-	-	-
Elizabeth Aris	10,000	-	-	10,000
Michelle Guthrie	-	-	-	-
Calvin Ng	7,335,747	-	-	7,335,747

2022	Balance at the start of the year or commencement date	Acquired through exercise of vested performance rights	Other movement	Balance at the end of the year or date of resignation
Executives				
Allan Savins	1,517,939	477,938	(132,386)	1,863,491
Andrew Kitchen	-	305,100	-	305,100
Dara Wettner	-	261,750	(236,325)	25,425
Amber Smith	-	232,716	-	232,716

8. Loans to key management and their related parties
(i) Details of aggregate of loans to key management personnel and their related parties:

Aggregate	Balance at beginning of period/KMP appointment	Interest charged during KMP period	Write-off or allowance for doubtful debt	Balance at end of period	Number of KMP in group
2022	483,769	19,345[1]	-	478,785[1]	1

[1] Amounts to 7 Feb 2022, being date Simon Bednar left group.

(ii) Terms and conditions of loans to key management personnel and their related parties

Loans to key management personnel are made on terms equivalent to an arm's length transaction, that is terms and conditions are similar to those offered to other customers at the time a loan is funded. All loans are secured by appropriate forms of collateral.

9. Other transactions and balances with key management personnel and their related parties

During the period to the 7 February (Finsure Sale date), the Group sub-leased office space to Aura Group Pty Ltd, a related entity of Mr John Kolenda. Rental income and recharges received during the period 1 July 2021 to 7 February 2022 totaled $281,995 (30 June 2021:$446,457) and the balance receivable at 7 February 2022 was $42,835 (30 June 2021:$21,570).

During the period 1 July 2021 to 7 February 2022, the Group paid $27,500 to Shadow Charters Pty Ltd, a related entity of Mr John Kolenda for boat charter services (30 June 2021:$42,175).

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED)

10. Remuneration incentives approved subsequent to balance date

Subsequent to 30 June 2022, and at the date of signing, no incentives have been recommended by the Remuneration Committee for members of the Executive Leadership Team.

End of Remuneration Report

Signed in accordance with a Resolution of Directors

Don Koch - Chairman

Dated this 26th day of August 2022

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of BNK Banking Corporation Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of BNK Banking Corporation Limited for the financial year ended 30 June 2022 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Nicholas Buchanan

Partner

Sydney

26 August 2022

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2022

CONTINUING OPERATIONS		Consolidated		Bank	
In thousands of AUD	**Note**	**2022** **$**	**2021[1]** **$**	**2022** **$**	**2021** **$**
Interest revenue from banking activities	2.3	20,217	11,334	18,668	10,785
Interest expense from banking activities	2.3	(7,293)	(3,550)	(7,931)	(3,521)
Net interest income	2.3	12,924	7,784	10,737	7,264
Commission income	2.3	(2,112)	12,884	-	-
Commission expense	2.3	(2,696)	(8,776)	(1,080)	(712)
Net commission income/(expense)		(4,808)	4,108	(1,080)	(712)
Other income	2.3	3,306	1,933	1,966	5,199
Total net revenue		**11,422**	**13,825**	**11,623**	**11,751**
Operating expenses	2.4	(26,584)	(17,669)	(19,308)	(10,174)
Impairment of loans, advances and other receivables		(843)	(384)	(635)	(384)
Impairment of insurance receivable and ATMs	4.1.1	-	(881)	-	(881)
Profit/(Loss) before income tax from continuing operations		**(16,005)**	**(5,108)**	**(8,321)**	**312**
Income tax (expense)/benefit	2.5.1	3,614	1,735	3,995	1,013
Profit/(Loss) from continuing operations		**(12,391)**	**(3,374)**	**(4,325)**	**1,325**
Discontinued operations					
Profit from discontinued operation, net of tax	2.2.1	72,178	9,033	79,925	-
Profit/(Loss) for the period attributable to equity holders of the parent		**59,787**	**5,659**	**75,600**	**1,325**
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss, net of income tax					
Total comprehensive income for the period		**59,787**	**5,659**	**75,600**	**1,325**
Earnings per share					
Basic earnings per share (cents)	5.3	51.61	5.85	-	-
Diluted earnings per share (cents)	5.3	50.55	5.77	-	-
Earnings per share – continuing operations					
Basic earnings per share (cents)	5.3	(10.70)	(3.49)	-	-
Diluted earnings per share (cents)	5.3	(10.48)	(3.44)	-	-

[1] Comparative amounts have been re-presented due to discontinued operations. See Notes 2.2 restated to conform to current year of presentation of profit / (loss) from continuing operations.

The accompanying notes form part of these financial statements

STATEMENTS OF FINANCIAL POSITION
As at 30 June 2022

		Consolidated		Bank	
In thousands of AUD	**Note**	**2022**	**2021**	**2022**	**2021**
		$	**$**	**$**	**$**
ASSETS					
Cash and cash equivalents	4.1.1	140,027	47,285	139,627	41,591
Due from other financial institutions	4.2	102,528	8,820	102,528	8,820
Other financial assets	4.2	164,586	148,148	164,586	148,148
Loans and advances	3.1	990,066	539,939	990,506	541,527
Commissions and other receivables	4.4.1	8,826	25,607	7,259	7,361
Contract assets	4.4.3	21,032	505,706	-	-
Investment in subsidiaries	6.1.1	-	-	19,896	61,925
Property, plant and equipment	7.1	812	2,646	374	538
Goodwill and other intangible assets	7.2	7,407	43,689	306	324
Deferred tax assets/liabilities net	2.5.2	-	-	1,659	2,121
TOTAL ASSETS		**1,435,284**	**1,321,840**	**1,426,741**	**812,355**
LIABILITIES					
Deposits	4.3	964,589	635,647	964,589	635,647
Other financial liabilities	4.5	245,519	61,258	245,190	61,646
Commissions and other payables	4.4.2	7,059	27,592	4,057	3,665
Trail commission payable	4.4.3	7,453	453,381	-	-
Current tax liability		17,423	-	23,149	-
Provisions	7.3	1,037	1,678	444	299
Deferred tax assets/liabilities net	2.5.2	1,828	14,310	-	-
TOTAL LIABILITIES		**1,244,908**	**1,193,866**	**1,237,429**	**701,257**
NET ASSETS		**190,376**	**127,974**	**189,312**	**111,098**
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS					
Contributed equity					
Issued capital, net of raising costs	5.2.2	118,943	116,728	118,943	116,728
Reserves		1,634	1,234	1,634	1,234
Retained earnings		69,799	10,012	68,735	(6,864)
TOTAL EQUITY		**190,376**	**127,974**	**189,312**	**111,098**

The accompanying notes form part of these financial statements

STATEMENTS OF CHANGES IN EQUITY

For the year ended 30 June 2022

In thousands of AUD

Consolidated

Attributable to equity holders	Note	Issued Capital	Equity Raising Costs	Treasury Shares	Property, Plant and Equipment Revaluation Reserve	Financial Assets Revaluation Reserve	General Reserve for Credit Losses	Share-based Payments Reserve	Retained Earnings	Total Equity
		$	$	$	$	$	$	$	$	$
Balance at 1 July 2020		**106,270**	**(2,754)**	**(103)**	**-**	**(140)**	**446**	**1,029**	**4,493**	**109,241**
Profit for the period		-	-	-	-	-	-	-	5,659	5,659
Sale of financial assets		-	-	-	-	140	-	-	(140)	-
Total comprehensive income		**-**	**-**	**-**	**-**	**140**	**-**	**-**	**5,519**	**5,659**
Transactions with owners of the Company										
Issue of share capital	5.2.2	13,765	-	-	-	-	-	(765)	-	13,000
Equity raising costs, net of tax	5.2.3		(553)	-	-	-	-	-	-	(553)
Cost of share-based payments	7.5.2	-	-	-	-	-	-	627	-	627
Balance at 30 June 2021		**120,035**	**(3,307)**	**(103)**	**-**	**-**	**446**	**891**	**10,012**	**127,974**
Balance at 1 July 2021		**120,035**	**(3,307)**	**(103)**	**-**	**-**	**446**	**891**	**10,012**	**127,974**
Profit for the period		-	-	-	-	-	-	-	59,787	59,787
Sale of financial assets		-	-	-	-	-	-	-	-	-
Total comprehensive income									59,787	59,787
Transactions with owners of the Company										
Issue of share capital	5.2.2	2,240	-	-	-	-	-	(2,240)	-	-
Equity raising costs, net of tax	5.2.3	-	(25)	-	-	-	-	-	-	(25)
Cost of share-based payments	7.5.2	-	-	-	-	-	-	2,640	-	2,640
Balance at 30 June 2022		**122,275**	**(3,332)**	**(103)**	**-**	**-**	**446**	**1,291**	**69,799**	**190,376**

The accompanying notes form part of these financial statements

STATEMENTS OF CHANGES IN EQUITY
For the year ended 30 June 2022

In thousands of AUD **Bank**

Attributable to equity holders	Note	Issued Capital	Equity Raising Costs	Treasury Shares	Property, Plant and Equipment Revaluation Reserve	General Reserve for Credit Losses	Share-based Payments Reserve	Retained Earnings	Total Equity
		$	$	$	$	$	$	$	$
Balance at 1 July 2020		**106,270**	**(2,754)**	**(103)**	**-**	**446**	**1,029**	**(8,189)**	**96,699**
Profit for the period		-	-	-	-	-	-	1,325	1,325
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**	**1,325**	**1,325**
Transactions with owners of the Company									
Issue of share capital	5.2.3	13,765	-	-	-	-	(765)	-	13,000
Equity raising costs, net of tax	5.2.4	-	(553)	-	-	-	-	-	(553)
Cost of share-based payments	7.5.2	-	-	-	-	-	627	-	627
Balance at 30 June 2021		**120,035**	**(3,307)**	**(103)**	**-**	**446**	**891**	**(6,864)**	**111,098**
Balance at 1 July 2021		**120,035**	**(3,307)**	**(103)**	**-**	**446**	**891**	**(6,864)**	**111,098**
Profit for the period								75,600	75,600
Total comprehensive income								**75,600**	**75,600**
Transactions with owners of the Company									
Issue of share capital	5.2.2	2,240	-	-	-	-	(2,240)	-	-
Equity raising costs, net of tax	5.2.3	-	(25)	-	-	-	-	-	(25)
Cost of share-based payments	7.5.2	-	-	-	-	-	2,639	-	2,639
Balance at 30 June 2022		**122,275**	**(3,332)**	**(103)**	**-**	**446**	**1,291**	**68,736**	**189,312**

The accompanying notes form part of these financial statements

STATEMENTS OF CASH FLOWS
For the year ended 30 June 2022

		Consolidated		Bank	
	Note	**2022**	**2021**	**2022**	**2021**
In thousands of AUD		**$**	**$**	**$**	**$**
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received		21,786	12,111	20,236	11,478
Fees and commissions received		359,607	232,043	785	1,894
Interest and other costs of finance paid		(7,268)	(3,694)	(7,932)	(3,521)
Other income received		19	827	-	4,005
Payments to suppliers and employees		(386,820)	(233,492)	(22,170)	(12,344)
Net increase in loans, advances and other receivables		(447,632)	(254,866)	(447,626)	(253,679)
Net (decrease)/increase in deposits and other borrowings		328,942	289,856	328,942	289,856
Net (payments)/receipts for financial securities		(109,810)	(85,494)	(110,147)	(85,494)
Net cash provided by/(used in) operating activities		(241,176)	(42,709)	(237,912)	(47,805)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of subsidiaries		152,225	94	152,225	-
Proceeds from sale of investments		-	-	356	-
Proceeds from sale of property, plant and equipment		-	-	-	-
Payments for property, plant and equipment		(3)	(25)	(3)	(25)
Payments for intangible assets		-	(411)	-	(184)
Net cash from/(used in) investing activities		152,222	(342)	152,578	(209)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from the issue of capital	5.2.2	-	13,000	-	13,000
Payments for equity raising costs	5.2.3	(36)	(765)	(36)	(765)
Payments for treasury shares	5.2.4	-	-	-	-
Payments for lease liabilities		(2,502)	(1,279)	(138)	(129)
Proceeds of borrowings		184,234	61,258	183,544	61,646
Net (used in)/cash from financing activities		181,696	72,214	183,370	73,752
Net increase/(decrease) in cash held		92,742	29,163	98,036	25,738
Cash and cash equivalents at beginning of the year		47,285	18,122	41,591	15,853
Total cash and cash equivalents		**140,027**	**47,285**	**139,627**	**41,591**

The accompanying notes form part of these financial statements

1. BASIS OF PREPARATION

1.1 Corporate information

BNK Banking Corporation Limited (the "Company", "the Bank" or "BNK") is a for-profit entity and provides a range of retail banking products and financial services directly and through third party intermediaries.

The Company is a publicly listed company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is Level 14, 191 St George's Terrace, Perth 6000, Western Australia. BNK is listed on the Australian Securities Exchange (ASX:BBC).

The financial report for BNK and its controlled entities (the Group) for the year ended 30 June 2022 was authorised for issue in accordance with a resolution of the directors on 26th August 2022.

1.2 Basis of accounting

(a) Basis of preparation

The financial report includes the consolidated and stand-alone financial statements of the Group and the Bank, respectively. This 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 and is stated at historical costs, except where stated.

The report is presented in Australian dollars with all values rounded to the nearest thousand dollars ($'000) in accordance with ASIC Corporations Instrument (Rounding in Financial/Directors' Reports) 2016/191 unless otherwise indicated.

The Company presents its statement of financial position in order of liquidity.

(b) Statement of compliance

The financial report complies with the Corporations Act 2001, Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

1.3 Significant accounting judgements and estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and adjusted as required. Revisions to accounting estimates are recognised in the period on which the estimate is revised and in any future periods affected. Specific adjustments to inputs and assumptions are explained in the relevant notes to this financial report as referenced below:

	Reference
Identification and measurement for impairment of loans and receivables	3.2
Net present value of future trail commissions receivable and payable	4.4
Impairment of goodwill and other intangibles	7.2

2. FINANCIAL PERFORMANCE

2.1 Operating segments

The Group has two operating businesses, which are its reportable segments. All operations are in Australia. AASB 8 requires operating segments to be identified on the basis of internal information provided to the chief decision makers, the Chief Executive Officers, in relation to the business activities of the Group. The Group has determined it has two segments for which information is provided regularly to the Board of Directors.

The following describes the operations of each of the Group's reportable segments:

Banking

The Group's banking business refers to the provision of banking products and services such as loans and deposits under the Goldfields Money and Better Choice Home Loans brands (and soon to be launched BNK Bank brand).

Loans are originated via online applications and accredited brokers. Loans are held on balance sheet, and originated through third party wholesale funding providers. Deposits are originated through direct marketing efforts as well as through a number of third party intermediaries. BNK's award winning deposits are guaranteed by the Australian Government Deposit Guarantee for up to $250,000 per customer. The segment earns net interest income and service fees from providing a range of services to its retail and small business customers.

Aggregation (discontinued during the reporting period)

The Aggregation segment provides contracted administrative and infrastructure support to approximately 2,100 mortgage brokers, connecting them with a panel of approximately 60 lenders. The segment is primarily branded as Finsure and LoanKit and is one of Australia's largest aggregators.

Aggregation derives commissions including upfront commissions which are earned upon each loan settlement, and ongoing trail commissions. Additional revenue in the form of fees for service including recurring software as a service (SaaS), compliance, professional development and other support services. The Infynity CRM platform provides enhanced capability for Aggregation to diversify its revenues from third party lead generation opportunities

2. FINANCIAL PERFORMANCE (CONTINUED)

2.1 Operating segments (continued)

In thousands of AUD	30 June 2022 Banking[1] $	30 June 2022 Aggregation (Discontinued 7 Feb 2022) $	30 June 2022 Total $	30 June 2021 Banking $	30 June 2021 Aggregation $	30 June 2021 Total $
Revenue						
Interest income	20,217	2	20,219	11,345	83	11,428
Inter-segment interest income	-	-	-	(11)	-	(11)
Total interest income	20,217	2	20,219	11,334	83	11,417
Commission and non-interest income	1,194	266,223	267,417	18,817	337,323	356,140
Inter-segment commission and other income	-	-	-	(4,000)	-	(4,000)
Total commission and non-interest income	1,194	266,223	267,417	14,817	337,323	352,140
Total segment revenue	21,411	266,225	287,636	26,151	337,406	363,557
Interest expense	7,214	-	7,214	3,461	-	3,461
Inter-segment interest expense	-	-	-	-	(11)	(11)
Other	79	58	137	89	155	244
Total interest expense	7,293	58	7,351	3,550	144	3,694
Commission expense	2,696	154,677	157,059	8,775	309,686	318,461
Inter-segment commission expense	-	-	-	-	-	-
Total commission expense	2,696	154,677	157,059	8,775	309,686	318,461
Segment profit/(loss) before tax	(16,005)[1]	7,543[2]	(8,462)[3]	(1,108)	9,129	8,021
Material non-cash expenses:						
Depreciation and amortisation	380	778	1,158	415	1,886	2,301
Share-based payments	2,639	-	2,639	627	-	627
Segment assets	1,441,782	-	1,441,782	778,511	543,329	1,321,840
Segment liabilities	1,251,406	-	1,251,406	719,350	474,516	1,193,866

[1] Banking segment equates to consolidated position
[2] Note 2.2.1 for discontinued operations segment profit before tax
[3] Before net tax benefit $1,168k and gain on disposal after tax $67,081k

2. FINANCIAL PERFORMANCE (CONTINUED)

2.2 Discontinued Operation

On 15 December 2021, the Group executed a Share Sale Agreement (SSA) for the sale of BNK's 100% owned subsidiary, Finsure Holding Pty Ltd and related Aggregation subsidiaries to MA Financial Group Limited (MAF). The sale completed on 7 February 2022, resulting in the Group receiving cash consideration of $152.2 million, comprising $145 million (before costs and tax on disposal) consideration for the shares plus cash adjustments of $7.2 million.

The Aggregation division was previously classified as held-for-sale (31 December 2021). The comparative Consolidated Statement of Profit or Loss and Other Comprehensive Income has been represented to show the discontinued operation separately from continuing operations.

2.2.1 Results of discontinued operation

In thousands of AUD	**2022 $**	**2021 $**
Revenue	266,225	337,405
Elimination of inter-segment revenue		
External revenue	266,225	337,405
Expenses	258,682	324,276
Elimination of inter-segment expenses		
External expenses	258,682	324,276
Results from discontinued operating activities	**7,543**	**13,129**
Income tax expense	2,446	4,096
Results from discontinued operating activities, net of tax	5,097	9,033
Gain on sale of discontinued operation	88,089	-
Income tax on gain on sale of discontinued operation	(21,008)	-
Profit from discontinued operations, net of tax	**72,178**	**9,033**
Basic earnings per share	62.31	9.33
Diluted earnings per share	61.02	9.22

2.2.2 Assets and liabilities of discontinued operations

In thousands of AUD	**2022 $**	**2021 $**
Assets		
Cash and cash equivalents	8,309	3,750
Commission receivables	3,317	39,252
Contract assets	571,978	473,339
Property, plant and equipment	1,037	1,475
Goodwill and other intangible assets	5,437	5,777
Deferred Tax Asset	131,734	137,076
	721,812	660,699
Liabilities		
Commission and other payables	4,207	25,527
Trail Commission payable	535,509	441,196
Provisions	719	923
Deferred tax liabilities	141,597	142,646
	682,032	610,292
Net assets from discontinued operating activities	**39,780**	**50,377**

2. FINANCIAL PERFORMANCE (CONTINUED)

2.2.3 Cash flows from / (used in) discontinued operation

In thousands of AUD	2022 $	2021 $
Net cash from/(used in) operating activities	5,611	8,392
Net cash from/(used in) investing activities	215	255
Provisions	(203)	290
Net cash from/(used in) financing activities	(1,356)	(5,198)
Net cash flows for the period	4,267	3,739

2. FINANCIAL PERFORMANCE (CONTINUED)

2.3 Income

Net interest income

In thousands of AUD	Consolidated 2022 $	Consolidated 2021[1] $	Bank 2022 $	Bank 2021 $
Interest revenue				
Loans and advances	19,399	10,807	17,851	10,259
Sub-lease finance lease	-	-	-	-
Due from other institutions	818	526	817	526
Total interest income	20,217	11,334	18,668	10,785
Interest expense				
Deposits	3,868	3,181	3,868	3,181
Lease liabilities	53	67	24	31
Securitisation liabilities	2,233	44	2,900	52
Subordinated debt	1,113	236	1,113	236
Other	26	22	26	21
Total interest expense	7,293	3,550	7,931	3,521
Net interest income	12,924	7,784	10,737	7,264
Weighted average interest rate - loans and advances	3.15%	3.00%	3.15%	3.00%
Weighted average interest rate - deposits	0.95%	0.45%	0.95%	0.45%
Spread	2.20%	2.55%	2.20%	2.55%

Net commission income

Commission income				
Upfront commission	2,657	1,756	-	-
Trail commission income	6,566	7,832	-	-
Change in net present value of future trail commissions receivable	(11,335)	3,296	-	-
Total commission income	(2,112)	12,884		-
Commission expense				
Upfront commission expense	3,218	1,723	-	-
Trail commission expense	4,210	3,908	1,080	712
Change in net present value of future trail commission payable	(4,732)	3,145	-	-
Total commission expense	2,696	8,776	1,080	712
Net commission income/(expense)	(4,808)	4,108	(1,080)	(712)

Other income

Service fees and other residual income	977	734	492	577
Aggregation services fee income	-	-	-	-
Lending fees	817	803	(37)	225
Transaction fees	1,156	391	1,155	391
Sponsorship income	-	-	-	-
Dividends received	337	4	337	4,004
Other	19	2	19	2
Total other income	3,306	1,933	1,966	5,199

[1] Comparative amounts for consolidated have been re-presented due to discontinued operations. See Notes 2.2 restated to conform to current year of presentation of profit / (loss) from continuing operations.

2. FINANCIAL PERFORMANCE (CONTINUED)

2.3 Income (continued)

Accounting policy - recognition and measurement

Interest income and expense

Interest income and expense is recognised in profit or loss using the effective interest rate method. This is the rate that exactly discounts the estimated future cash receipts or payments over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. The calculation of the effective interest rate includes transaction costs (such as payments made to brokers for the introduction of loans) and fees and points paid or received that are an integral part of the interest rate. Transaction costs include incremental costs that are directly attributable to acquisition or issue of a financial asset or financial liability.

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit- impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

Commission income and expense

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate (refer above note on Interest income and expense).

Other fees and commission income including account servicing fees, cash convenience income is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

Other income, service fees and residual income

A contract with a customer that results in a recognised financial instrument in the Group's financial statements may be partially in the scope of AASB 9 *Financial Instruments* and partially in the scope of AASB 15 *Revenue from Contracts with Customers*. If this is the case, then the Group first applies AASB 9 to separate and measure the part of the contract that is in the scope of AASB 9 and then applies AASB 15 to the residual.

Service fees and residual income arises from the management of loans and receivables which have previously been originated by BNK and sold to other parties. Service fees are recognised from rendering of services principally for the management of the loans, and residual income is recognised from the residual amount collected from customers after transferring to the legal owner of the loans a contractually agreed return.

Dividends

Revenue is recognised when the Company's right to receive the payment is established, which is generally when the dividend has been declared.

2. FINANCIAL PERFORMANCE (CONTINUED)

2.3 Income (continued)

Accounting policy - recognition and measurement (continued)

Commission revenues
The Group provides loan origination services and receives upfront origination commission on the settlement of loans. Additionally the lender normally pays a trailing commission over the life of the loan. Commission revenue is recognised as follows:

Origination commissions
Origination commissions are recognised at the point of the loans being settled, net of any offset balance (drawdown). Commissions' clawbacks are recognised upon receipt where loans have been discharged within contractual timeframes.

Trailing commissions
The Group receives trailing commissions from lenders on settled loans over the life of the loans based on the individual loan balance outstanding. Contractually, where loans fall into delinquency, trailing commissions may be reduced or held for such a period until loans are repaired to non-delinquent status. The Group also makes trailing commission payments to authorised mortgage originators (brokers) based on the individual loan balance outstanding.

On initial recognition, the Group recognises a contract asset under AASB 15 which represents the Group's estimate of the variable consideration to be received from lenders on the settled loans. The Group used the expected value method of estimating the variable consideration which requires significant judgment. In estimating the variable consideration the Group assesses observed historical data in determining the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. In addition, a corresponding expense and payable to the relevant brokers is also recognised, initially measured at fair value being the net present value of expected future trailing commission payable to relevant brokers.

The value of trail commission receivable from lenders and the corresponding payable to brokers is determined by using a discounted cash flow valuation to determine the expected value. These calculations require the use of assumptions which are determined using a variety of inputs including analysis of historical information. Key assumptions underlying the calculation include the average loan life, discount rate and percentage paid to brokers. Refer to 4.4.1.

Aggregation service fee income
The Group offers contracts to brokers based upon their settlement volumes. Brokers with high volume transactions receive 100% distribution of all commissions and are charged a monthly fee in arrears for the aggregation service. Revenue from flat fees is recognised at the point in time the service is provided.

The Group earns Software as a Service income for subscription to its proprietary loan origination platform "Infynity" and also provides compliance and licensing services to its brokers. The Group charges a fee for both of these services, with revenue recognised over time.

Sponsorship income
Sponsorship income is the income generated from sponsorship arrangements with other lenders, supporting the continuous education of the Group's brokers. The income is brought to account when services relating to the income have been performed over time.

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

2. FINANCIAL PERFORMANCE (CONTINUED)

2.4 Operating Expenses

In thousands of AUD	Consolidated 2022 $	Consolidated 2021[1] $	Bank 2022 $	Bank 2021 $
Depreciation and amortisation	380	415	185	215
Information technology	1,673	1,883	1,185	1,304
Cloud based software development	1,053	1,869	1,053	1,576
Banking services delivery	423	531	423	531
Securitisation operating expenses	251	48		-
Employee benefits	14,311	10,449	9,243	4,562
Professional services	5,877	893	5,810	871
Marketing	198	213	92	87
Occupancy	265	179	123	135
Other administration expenses	2,153	1,189	1,194	893
Total operating expenses	26,584	17,669	19,308	10,174

[1] Comparative amounts for consolidated have been re-presented due to discontinued operations. See Notes 2.2 restated to conform to current year of presentation of profit / (loss) from continuing operations.

Accounting policy - recognition and measurement

The Group recognises an expense when it has an obligation to settle for goods or services received.

2.5 Income tax

2.5.1 The major components of income tax expense/(benefit) are:

In thousands of AUD	Consolidated 2022[1] $	Consolidated 2021[1] $	Bank 2022 $	Bank 2021 $
Recognised in profit or loss				
Current tax	(6,029)	-	(7,304)	-
Deferred tax	2,415	1,735	3,309	(1,013)
Income tax expense/(benefit) on continuing operations recognised in Profit or Loss	(3,614)	1,735	(3,995)	(1,013)
Recognised in OCI				
Financial instruments at fair value through OCI	-	-	-	-
Equity raising costs	11	213	11	213
Income tax expense/(benefit) on continuing operations recognised in Other Comprehensive Income	11	213	11	213
Tax reconciliation				
Profit/(Loss) before tax	(16,005)	(5,108)	(8,321)	312
Prima facie income tax expense/(benefit) on profit before income tax at 30% (2021:30%)	(4,801)	(1,533)	(2,496)	94
Adjust for tax effect of:				
Non-assessable income	-	-	(2,631)	(1,200)
Non-deductible expenses	1,335	44	1,132	93
Prior period adjustments	(148)	(246)	-	-
Income tax expense/(benefit) on continuing operations recognised in Profit or Loss	(3,614)	(1,735)	(3,995)	(1,013)

[1] Tax expense from gain on sale and on discontinued operations is shown under note 2.2

NOTES TO THE FINANCIAL REPORT

2. FINANCIAL PERFORMANCE (CONTINUED)

2.5 Income tax (continued)

2.5.2 Deferred tax assets and liabilities

	Consolidated		Bank	
In thousands of AUD	**2022 $**	**2021 $**	**2022 $**	**2021 $**
Deferred tax assets comprise temporary differences attributable to:				
Provision for doubtful debts	584	332	522	333
Accrued expenses	814	619	670	201
Provisions	311	528	133	90
Equity raising and s.40-880 costs	450	518	450	401
Lease liabilities	259	1,010	121	163
Net present value of trail commission payable	2,235	136,013	-	-
Cloud based software development costs	1,757	1,820	1,561	1,580
Other	2	458	-	-
Carry forward losses and R&D offsets	86	3,243	86	337
Total deferred tax assets	6,498	144,541	3,543	3,105
Deferred tax liabilities comprise temporary differences attributable to:				
Prepayments and other assets	5	-	5	-
Intangible assets	228	5,360	100	-
Net present value of trail commission receivable	6,309	151,712		-
Deferred commission expense	1,779	787	1,779	786
Property, plant and equipment	5	992	-	198
Total deferred tax liabilities	8,326	158,851	1,884	984
Set-off	(6,498)	(144,541)	(3,543)	(984)
Net deferred tax asset/(liability)	(1,828)	(14,310)	1,659	2,121

Accounting policy - Recognition and measurement

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income) recognised in profit or loss on continuing operations only except to the extent that it relates to items recognised in other comprehensive income.

Income tax expense (revenue) relating to discontinued operations is excluded from above table and disclosed in note 2.2

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which the Group expects to recover or settle the carrying amount of the related asset or liability.

The Company has formed a tax consolidated group (TCG) under the tax consolidation regime. The members of the TCG have entered into tax funding and tax sharing agreements, which set out the funding obligations and members. Any current tax liabilities/assets and deferred tax assets from unused tax losses from subsidiaries in the tax consolidated group are recognised by the Bank as utilised and funded in line with the tax funding agreement.
The measurement and disclosure of deferred tax assets and liabilities have been performed on a "separate taxpayer within a group" approach in accordance with UIG 1052 *Tax Consolidation Accounting*.

NOTES TO THE FINANCIAL REPORT

2. FINANCIAL PERFORMANCE (CONTINUED)

2.5 Income tax (continued)

2.5.2 Deferred tax assets and liabilities (continued)

Use of judgements and estimates
Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised. The Group assesses the probability through the consideration of factors leading to losses and the preparation of forecasts that indicate the Group's ability to generate taxable profits in the future.

3. LOANS AND ADVANCES

3.1 Loans and advances

In thousands of AUD	Consolidated 2022 $	Consolidated 2021 $	Bank 2022 $	Bank 2021 $
Residential loans	972,090	522,554	972,090	522,554
Commercial loans	13,166	14,009	13,166	14,009
Personal loans	327	546	327	546
Overdrafts	452	1,299	452	1,299
	986,035	538,408	986,035	538,408
Add: Unamortised broker commissions	5,895	2,556	6,127	4,144
Gross loans and advances	991,930	540,964	992,162	542,552
Provision for credit losses – refer note 3.2	(1,864)	(1,025)	(1,656)	(1,025)
Loans and advances net of provisions	990,066	539,939	990,506	541,527
Maturity analysis – gross loans and advances				
Overdrafts	452	1,299	452	1,299
Not longer than 1 year	138	1,560	138	1,560
Longer than 1 and not longer than 5 years	3,152	4,065	3,152	4,065
Longer than 5 years	988,188	534,040	988,420	535,628
	991,930	540,964	992,162	542,552

Gross loans and advances stated above includes securitisation warehouse loans recognised for accounting purposes. Refer to note 4.5 for further information of the warehouse facility.

Accounting policy - Recognition and measurement
All loans are initially recognised at fair value, net of transaction costs incurred and inclusive of loan origination fees. Loans are subsequently measured at amortised cost based on the Group's business model objective; this is to originate loans and advances on its balance sheet and hold to collect repayments of principal and interest. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the loans using the effective interest method.

All loans and advances greater than 30 days in arrears are reviewed individually and assessed for recoverability with reference to the valuation of collateral held. Expected credit loss provisions are recognised as set out in note 3.2.

Refer to note 5.1.4 for further information regarding credit risk.

3. LOANS AND ADVANCES

3.2 Provision for credit losses

	Consolidated			Bank
In thousands of AUD	**2022**	**2021**	**2022**	**2021**
	$	**$**	**$**	**$**
Expected credit loss provision	1,864	1,025	1,656	1,025
Total provisions for credit losses	1,864	1,025	1,656	1,025
Expected credit loss provision				
Opening balance	1,025	725	1,025	725
Bad debts provided for during the year	839	322	631	322
Bad debts written off during the year	-	(22)		(22)
Closing balance	1,864	1,025	1,656	1,025

Refer to note 5.1.4 for further information on the expected credit loss provisions recognised at balance date including detail around the loans subject to COVID-19 repayment deferrals. At 30 June 2022, the Company had nil customers subject to COVID-19 repayment deferrals.

Accounting policy - Recognition and measurement

Financial assets

Expected credit loss provision

Financial assets at amortised cost consist of cash and cash equivalents, amounts due from other financial institutions, investment securities and loans and advances.

Under AASB 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date (Stage 1); and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument (Stages 2 and 3).

If credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort in determining to reclassify it from Stage 1 to Stage 2 or 3. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. During the period the level of loan restructures completed were not considered to have a material effect on the provision.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Upon determination that a customer is in default, an assessment is made whether the loan is to be classified as past due or impaired. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

3. LOANS AND ADVANCES

3.2 Provision for credit losses (cont'd)

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. Expert judgement is used by the Group in the selection and assigned risk weighting of key variables including collateral, LMI, ownership type, number of payments ahead, counterparty industry and recovery costs. For loans secured by residential properties, LVR ratios are a key parameter in determining LGD. These are used to determine an expected LGD for the three different economic scenarios described below.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

PD represents the likelihood of a loan experiencing a default ever. As described above, arrears data from the last 24 months is used to calculate a probability measure determining the probability that an exposure will move to a specific 30 day arrears buckets. From here a Roll Rate Matrix is created based on the average probabilities over the historic data for each of the arrears buckets. This is then applied to the exposure amount as at 30 June 2022.

Subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Management overlay
An additional overlay has been placed on high debt to income customers. As interest rates were originally forecast to rise in 2023/24, BNK identified customers with high Debt to Income ratios (being greater than 6) as being more exposed to mortgage stress and higher probability of default. BNK has provisioned an additional 5bp overlay on this cohort of balances to account for any future losses, while actual behaviour is observed and modelled. This overlay will remain until further analysis demonstrates that higher DTI values do not correlate to a higher probability of default or are incorporated into ECL modelling.

Forward looking information
To incorporate forward looking information into the ECL the Group leverages RBA forecasts to develop a Base, Negative and Positive economic scenario covering four macroeconomic metrics (unemployment, GDP growth, House Price Index and bankruptcies rates). These are used to determine a multiplier which is applied to PD and LGD components of the model and a probability weighting is further applied to each scenario. Judgement is used in determining the multiplier for each scenario as well as the weighting applied. The three economic scenarios are described below.

3. LOANS AND ADVANCES

3.2 Provision for credit losses (cont'd)

Scenarios and Sensitivity Analysis

Base Scenario:
Within this scenario BNK expects unemployment to remain below historical averages, GDP to perform within government target rates, house prices to slightly reduce (specifically inner-city Melbourne and Sydney) and bankruptcy rates to increase to historical averages.

Sensitivity analysis shows a 100% weighting to the base scenario would reduce the ECL provision from $1.86m to $1.32m.

Negative Scenario:
Within this scenario BNK expects unemployment to increase to historical averages and GDP to fall but not into recessionary levels. House prices are forecast to significantly reduce (specifically inner-city Melbourne and Sydney) and bankruptcy rates to increase above long term historical averages in the negative scenario.

Sensitivity analysis shows a 100% weighting to the negative scenario would increase the ECL provision from $1.86m to $3.85m.

Positive Scenario
Within this scenario BNK expects unemployment to remain at current levels, GDP to outperform historical averages, house prices to remain flat and bankruptcy rates to remain flat.

Sensitivity analysis shows a 100% weighting to the positive scenario would decrease the ECL provision from $1.86m to $0.77m.

Sensitivity analysis table

In thousands of AUD	**30 June 2022**		**30 June 2021**	
	Model Outcome	**Variance to actual**	**Model Outcome**	**Variance to actual**
Model Used	1,864	-	1,025	-
Baseline Scenario[1]	1,320	(544)	754	(271)
Negative Scenario[1]	3,850	1,986	2,565	1,540
Positive Scenario[1]	770	(550)	451	(574)

[1] Scenarios using 100% weighting

3. LOANS AND ADVANCES

3.2 Provision for credit losses

Reconciliation of expected credit loss provision

In thousands of AUD	Consolidated									
	Stage 1		Stage 2		Stage 3		Management overlay		Total	
	Gross exposure	Provision	Gross exposure	Provision	Gross exposure	Provision	Gross exposure	Provision	Gross exposure	Provision
Opening balance – 1 July 2020	267,520	205	1,481	37	1,441	87	13,844	396	284,286	725
Transfers to/(from)									-	-
Stage 1	13,844	396	-	-	-	-	(13,844)	(396)	-	-
Stage 2	-	-	1,412	58	-	-	-	-	1,412	58
Stage 3	-	-	-	-	123	40	-	-	123	40
New and increased provisions	255,383	224	-	-	-	-	-	-	255,383	224
Bad debts written off	-	-	-	-	(240)	(22)	-	-	(240)	(22)
Closing balance – 30 June 2021	536,747	825	2,893	95	1,324	105	-	-	540,964	1,025
Opening balance – 1 July 2021	536,747	825	2,893	95	1,324	105	-	-	540,964	1,025
Transfers to/(from)										
Stage 1	-	-	-	-	-	-	-	-	-	-
Stage 2	-	-	307	20	-	-	88,924[1]	45	89,231	65
Stage 3	-	-	-	-	86	71	-	-	86	71
New and increased provisions	361,649	703	-	-	-	-	-	-	361,649	703
Bad debts written off	-	-	-	-	-	-	-	-	-	-
Closing balance – 30 June 2022	898,396	1,528	3,200	115	1,410	176	88,924	45	991,930	1,864

[1] Management overlay on exposures with a DTI >6

3. LOANS AND ADVANCES (CONTINUED)

3.2 Provision for credit losses (continued)

Reconciliation of expected credit loss provision

In thousands of AUD	**Bank**									
	Stage 1		**Stage 2**		**Stage 3**		**Management overlay**		**Total**	
	Gross exposure	**Provision**	**Gross exposure**	**Provision**	**Gross exposure**	**Provision**	**Gross exposure**	**Provision**	**Gross exposure**	**Provision**
Opening balance – 1 July 2020	269,165	205	1,481	37	1,441	87	13,844	396	285,931	725
Transfers to/(from)										
Stage 1	13,844	396	-	-	-	-	(13,844)	(396)	-	-
Stage 2	-	-	1,412	58	-	-	-	-	1,412	58
Stage 3	-	-	-	-	123	40	-	-	123	40
New and increased provisions	255,328	224	-	-	-	-	-	-	255,328	224
Bad debts written off	-	-	-	-	(240)	(22)	-	-	(240)	(22)
Closing balance – 30 June 2021	538,337	825	2,893	95	1,324	105	-	-	542,554	1,025
Opening balance – 1 July 2021	538,337	825	2,893	95	1,324	105	-	-	542,554	1,025
Transfers to/(from)										
Stage 1	-	-	-	-	-	-	-	-	-	-
Stage 2	-	-	307	20	-	-	88,924[1]	45	89,231	65
Stage 3	-	-	-	-	86	71	-	-	86	71
New and increased provisions	152,234	495	-	-	-	-	-	-	152,234	495
Bad debts written off	-	-	-	-	-	-	-	-	-	-
Closing balance – 30 June 2022	690,571	1,320	3,200	115	1,410	176	88,924	45	784,105	1,656

[1] Management overlay on exposures with a DTI >6

3. LOANS AND ADVANCES

3.3 Derecognition of loans and advances

The Company was party to a Receivables Acquisition & Servicing Agreement (RASA) with Bendigo & Adelaide Bank Limited (BEN) that enabled the Company to sell residential loans (owner occupied and investment) to BEN as required to assist with regulatory capital and/or liquidity management requirements.

Following the implementation of the Group's prime residential lending warehouse in 2021, the RASA was placed into run off.

During 2022, other than loans sold into the Bullion Trust, the remaining loans were purchased back by the Company and placed on balance sheet with the RASA facility closed.

The balance of loans serviced by the Group and Company at reporting date:

In thousands of AUD	**2022 $**	**2021 $**
Owner occupier loans	-	18,779
Investment loans	-	18,017
	-	36,796

Accounting policy - Recognition and measurement
The Company derecognises loans when the contractual rights to the cash flows from the loan expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the loans are transferred. On derecognition of the loans, the difference between the carrying amount of the asset and the consideration received is recognised in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

4. LIQUIDITY AND FUNDING

4.1.1 Cash and cash equivalents

	Consolidated		Bank	
In thousands of AUD	**2022**	**2021**	**2022**	**2021**
	$	**$**	**$**	**$**
Cash at bank and on hand	140,027	47,285	139,627	41,591
Total cash and cash equivalents	140,027	47,285	139,627	41,591

Recognition and measurement

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

Cash flows on net basis

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Cash flows arising from loans, deposits, and investments are presented on a net basis in the Statement of Cash Flows.

4.1.2 Reconciliation to the Statement of Cash Flows

	Consolidated		Bank	
In thousands of AUD	**2022**	**2021**	**2022**	**2021**
	$	**$**	**$**	**$**
Operating profit/(loss) after income tax	59,787	5,659	75,600	1,325
Non-cash items				
Depreciation and amortisation	380	2,301	185	215
Change in fair value of NPV asset	(462,005)	(118,508)	-	-
Change in fair value of NPV liability	436,464	110,428	-	-
Impairment of financial assets	843	1,317	635	1,264
Leave provisions	(641)	370	144	80
Equity settled share-based payment transactions	2,639	627	2,639	627
Gain on sale of discontinued operation, net of tax	(72,178)	-	(79,925)	-
Movement in assets and liabilities				
Loans and receivables	(447,631)	(254,866)	(447,626)	(253,679)
Investments	(109,810)	(85,494)	(110,147)	(85,494)
Deposits	328,942	289,856	328,942	289,856
Other assets	2,107	(3,641)	2,555	29
Deferred tax assets	(6,498)	-	(1,422)	451
Deferred tax liabilities	(5,983)	2,238	1,884	-
Current tax payable	17,424	-	(7,121)	-
Payables	14,343	6,634	(4,111)	(2,399)
Provisions	641	370	(144)	(80)
Net cash flow from operating activities	**(241,176)**	**(42,709)**	**(237,912)**	**(47,805)**

4. LIQUIDITY AND FUNDING

4.2 Financial assets

In thousands of AUD	Consolidated 2022 $	Consolidated 2021 $	Bank 2022 $	Bank 2021 $
Due from other financial institutions at amortised cost	102,528	8,820	102,528	8,820
Investment securities at amortised cost (a)	164,586	148,006	164,586	148,006
Investment in Cuscal Limited at fair value through OCI (b)	-	142	-	142
	267,114	156,968	267,114	156,968
Maturity analysis				
Due from other financial institutions				
- Not longer than 3 months	55,046	-	55,046	-
- 3 months to 1 year	39,862	1,200	39,862	1,200
- 1 year to 5 years	7,620	7,620	7,620	7,620
	102,528	8,820	102,528	8,820
Investment securities				
- Not longer than 3 months	51,443	-	51,443	-
- 3 months to 1 year	54,758	-	54,758	-
- 1 year to 5 years	36,312	122,326	36,312	122,326
- More than 5 years	22,073	25,680	22,073	25,680
	164,586	148,006	164,586	148,006

(a) Investment securities are investments in debt securities comprising floating rate notes issued by other banks, and bonds issued by Commonwealth and state-governments, initially recognised at fair value and subsequently at amortised cost.

(b) The shareholding in Cuscal Ltd ("Cuscal") is classified as at fair value through other comprehensive income. This shareholding was sold in FY22.

Accounting policy - Recognition and measurement

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVOCI).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI).

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

4. LIQUIDITY AND FUNDING

4.2 Financial assets (continued)

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, a gain or loss is recognised based on the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of:
(i) the consideration received (including any new asset obtained less any new liability assumed) and
(ii) any cumulative gain or loss that had been recognised in OCI.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. The cumulative gain/loss recognised in OCI is transferred from OCI to retained earnings. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Refer to notes 5.1.2, 5.1.4 and 5.1.5 for further details on interest rate risk, credit risk and liquidity risk.

4.3 Deposits

	Consolidated		Bank	
In thousands of AUD	**2022**	**2021**	**2022**	**2021**
	$	**$**	**$**	**$**
Call deposits	690,494	397,535	690,494	397,535
Term deposits	274,095	238,112	274,095	238,112
	964,589	635,647	964,589	635,647
Maturity analysis				
- At call	690,495	397,535	690,495	397,535
- Not longer than 3 months	143,146	105,445	143,146	105,445
- Longer than 3 months but less than 12 months	126,741	127,997	126,741	127,997
- Longer than 12 months but less than 5 years	4,207	4,670	4,207	4,670
	964,589	635,647	964,589	635,647

Accounting policy - Recognition and measurement
Call deposits and term deposits are initially recognised at fair value, net of any directly attributable transaction costs. Subsequent to initial measurement, they are measured at amortised cost using the effective interest rate method.

4.4 Receivables and payables

4.4.1 Commission and other receivables

	Consolidated		Bank	
In thousands of AUD	**2022**	**2021**	**2022**	**2021**
	$	**$**	**$**	**$**
Accrued commission income	530	19,418	-	-
Securitisation deposits	3,253	373	-	-
Sub-lease finance lease receivable	-	817	-	-
Prepayments	1,230	1,915	3,432	1,703
Other debtors	3,897	3,168	3,911	5,742
Less provision for impairment	(84)	(84)	(84)	(84)
Total commissions and other receivables	8,826	25,607	7,259	7,361

4. LIQUIDITY AND FUNDING

4.4 Receivables and payables (continued)

4.4.2 Commissions and other payables

In thousands of AUD	Consolidated 2022 $	Consolidated 2021 $	Bank 2022 $	Bank 2021 $
Accrued commission payable	262	19,863	-	-
Lease liabilities - refer to note 7.4	866	3,368	405	543
Trade creditors and accrued expenses	5,931	4,361	3,652	3,122
Total commissions and other payables	7,059	27,592	4,057	3,665

4.4.3 Contract assets and trail commission payable

In thousands of AUD	Consolidated 2022 $	Consolidated 2021 $	Bank 2022 $	Bank 2021 $
Contract assets				
Net present value of future trail commission receivable	21,032	505,706	-	-
Trail commission payable				
Net present value of future trail commission payable	7,453	453,381	-	-

Accounting policy - Recognition and measurement

The Group receives trailing commissions from lenders on settled loans over the life of the loans based on the individual loan balance outstanding. Contractually, where loans fall into delinquency, trailing commissions may be reduced or held for such a period until loans are repaired to non-delinquent status. The Group also makes trailing commission payments to authorised mortgage originators (brokers) based on the individual loan balance outstanding.

On initial recognition, the Group recognises a contract asset under AASB 15 which represents the Group's estimate of the variable consideration to be received from lenders on the settled loans. The Group used the expected value method of estimating the variable consideration which requires significant judgment. In addition, a corresponding expense and payable to the relevant brokers is also recognised, initially measured at fair value being the net present value of expected future trailing commission payable to relevant brokers.

The value of trail commission receivable from lenders and the corresponding payable to brokers is determined by using a discounted cash flow valuation to determine the expected value. These calculations require the use of assumptions which are determined using a variety of inputs including analysis of historical information. Key assumptions underlying the calculation include the average loan life, discount rate and percentage paid to brokers.

The key assumptions underlying the estimate calculations of trailing commission receivable and the corresponding payable to brokers at the reporting date is summarised in the following table:

	2022	2021
Discount rate per annum	Between 1.5% and 6.5%	Between 1.5% and 6.5%
Percentage paid to brokers	Between 5% and 93%	Between 50% and 95%
Weighted average life – Aggregation	-	3.6 to 3.9 years
Weighted average life – Wholesale	5.6 years	3.0 to 4.4 years
Weighted average life – Total portfolio	5.6 years	4.5 years

Liabilities for trade creditors and other amounts are non-interest bearing and carried at amortised cost, which is the fair value of the consideration to be paid in the future for goods and services received. The terms and conditions for creditors and other liabilities are payable between 7 and 30 days.

4. LIQUIDITY AND FUNDING

4.5 Other financial liabilities

In thousands of AUD	Consolidated 2022 $	Consolidated 2021 $	Bank 2022 $	Bank 2021 $
Term funding facility	13,797	13,772	13,797	13,772
Securitisation liabilities	208,155	37,846	207,826	38,234
Subordinated debt	23,567	9,640	23,567	9,640
Total borrowings	245,519	61,258	245,190	61,646

Accounting policy - Recognition and measurement
All borrowings are initially recognised at cost, being the fair value of the consideration received net of any issue costs associated with the borrowings. Subsequent to initial measurement, they are measured at amortised cost using the effective interest rate method.

Term Funding Facility

During the comparable period, the Group has drawn down its available funding allowance under the RBA's Term Funding Facility (TFF). The Group's drawdown comprises two tranches repayable as follows:

- $8.0 million fixed for three years at 0.25% repayable August 2023
- $5.7 million fixed for three years at 0.10% repayable October 2023

The Group has provided collateral in the form of RBA repo-eligible semi government securities for an equal value of the TFF. The Group's entitlement under the TFF was fully drawn at balance date.

Securitisation liabilities

During the comparable period the Group launched its first prime residential warehouse funding facility. This was facilitated through the establishment of the Bullion Warehouse No.1 Trust (the Trust). Loans originated and funded by the warehouse continue to be recognised by the Group with the rights to the cashflows from the loans equitably assigned to the Trust.

In thousands of AUD	Consolidated 2022 $	Consolidated 2021 $	Bank 2022 $	Bank 2021 $
Securitisation warehouse funding facilities - utilised	207,826	37,846	207,826	37,846
Securitisation warehouse funding facilities - unutilised	42,174	212,154	42,174	212,154
Securitisation warehouse funding approval limit	**250,000**	**250,000**	**250,000**	**250,000**

Subordinated debt

On 1 February 2021, the Group issued $8.75 million of subordinated floating rate notes. The notes are fully paid, unsecured with a maturity date of 1 February 2031, with an option to redeem the notes early on or after 1 February 2026, subject to APRA's approval.

On 12 May 2021, the Group issued a further tranche of subordinated floating rate notes totaling $1.25 million. The notes have the same terms and conditions as the first tranche with a maturity date of 12 May 2031 and an optional early redemption date of 1 August 2026, subject to APRA's approval.

On 30 September 2021, the Group issued a further tranche of subordinated floating rate notes totaling $14 million. The notes have the same terms and conditions as the first tranche with a maturity date of 30 September 2031 and an optional early redemption date of 30 September 2026, subject to APRA's approval.

5. FINANCIAL RISK AND CAPITAL MANAGEMENT

5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

5.1.1 Introduction and overview

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The Group has exposure from its use of financial instruments to market, interest rate, credit, liquidity and operational risk. This note presents information about the Group's exposure to each of the above risks, the objectives, policies and processes for measuring and managing those risks, and the Company's management of capital.

Risk management framework

The Group's activities expose it to a variety of risks. Maintaining a robust risk management framework is critical to the Group's continued success and remains at the forefront of the Group's processes and business activities. The Group's risk management framework includes a dedicated risk function, various risk committees, risk appetite statements and limits and attestation processes.

Risk management roles and responsibilities

Board of Directors

The Board of Directors is responsible for the overall risk management framework and approving risk appetite, strategies and principles. The Prudential Standards issued by the Australian Prudential Regulation Authority (APRA) addresses risk management requirements and the Board carries out its responsibilities in ensuring the Group maintains appropriate risk settings relative to the size and the maturity of the Group's businesses.

Board Risk & Compliance Committee

Risk management is overseen by the Risk & Compliance Committee comprising non-executive directors of the Company. It assists the Board in the development of the risk strategy, managing and monitoring relevant risk decisions including policies and limits.

Chief Executive Officers & Executive Management

The Chief Executive Officers are responsible for the ongoing management of the risk management framework including its periodic review and renewal subject to requisite Board direction and approvals. Executive Management are responsible for implementing the Board-approved risk management strategy and for developing policies, procedures, processes and controls for identifying and managing risks.

Chief Risk Officer

The Chief Risk Officer is responsible for managing the risk management function. This includes assisting the Board, Board committees and divisional management risk committees to develop and maintain the risk management framework. The position has reporting lines to the Board, Board committees and senior management to conduct risk management activities in an effective and independent manner.

Internal Audit

Risk management and other processes in the Group are audited annually by the internal audit function, which examines both the adequacy of the procedures and compliance with the procedures. The results of the work of the internal audit function are tabled to management and to the Audit Committee.

Asset & Liability Committee (ALCO)

The management ALCO meets regularly to review the Group's interest rate risk, market risk, liquidity, credit quality and capital settings. The Committee monitors trends in the economy, reports risk metrics against Board defined triggers and forecasts movements in balance sheet positions to minimise risk and maximise financial outcomes.

Non-Financial Risk Committee (NFR)

The NFR assists the Board Risk & Compliance Committee in overseeing the implementation of BNK's risk management and compliance frameworks, focusing particularly on non-financial risks. The Committee monitors the appropriateness, adequacy and effectiveness of BNK's:

- Risk Management Strategy ("RMS") in managing the enterprise-wide risks it faces in achieving its strategic and business objectives; and
- Compliance framework to ensure compliance obligations are met at all times.

5. FINANCIAL RISK AND CAPITAL MANAGEMENT

5.1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

5.1.1 Introduction and overview (continued)

Risk Measurement and Reporting Systems
Monitoring and controlling risks is primarily performed based on limits established by the Board of the Company. These limits reflect the business strategy and market environment of the Group as well as the level of risk the Group is willing to accept.

Information is compiled, examined and processed in order to analyse, control and identify risks on a timely basis. This information is presented and explained to the Risk & Compliance Committee and/or the Board. The reporting includes aggregate counterparty credit exposures, delinquency summary, loan security summary, loan type exposures, liquidity ratios, value at risk (VaR), and significant changes to risk profile. The Board and/or Risk & Compliance Committee receive summarised risk reporting on key risk measures.

Market risk
The objective of the Group's market risk management is to minimise risk and optimise desired return by managing and controlling market risk. Market risk is the risk that changes in interest rates, foreign exchange rates or other prices and volatilities that will have an adverse effect on the Group's financial condition or results. Management of market risk is the responsibility of senior management through the Asset & Liability Committee (ALCO), who report directly to the Board Risk & Compliance Committee. The Group does not operate a trading book or involve itself actively in foreign exchange, commodities or equity markets.

Interest rate risk
Interest rate risk is the risk of variability of the fair value of future cash flows arising from financial instruments due to the changes in interest rates. The Company is exposed only to interest rate risk arising from changes in market interest rates (Interest Rate Risk in the Banking Book).

5.1.2 Interest rate risk in the banking book

The Company is exposed to interest rate risk in its banking book due to mismatches between the repricing dates of assets (loans and advances and investments) and liabilities (deposits and borrowings). The interest rate risk in the banking book is monitored by management. The level of mismatch on the banking book is set out in the tables below which displays the period that each asset and liability will reprice as at the balance date.

The major classes of financial assets and liabilities that are subject to interest rate variation are loans and advances, cash with banks, investments, deposits, borrowings and securitisation notes. The fundamental principles that the Company applies to mitigate interest rate risk are:

- Board approved risk appetite and limits include Value at Risk and Book Sensitivity (Present Value Basis Point);
- Forecasting and scenario modelling of growth and interest rates;
- Monitoring current and future interest rate yields on its loans and savings portfolio and cash and investments and effect on profit and equity; and the interest rates on the major proportion of these assets and liabilities can be adjusted in the short-term to minimise any significant mismatch of interest margins
- Monitoring market rates for loans and savings and amending the Company's interest rates to remain competitive;
- Regular meetings to measure and monitor the impact of movements in interest rates.

5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

5.1.2 Interest rate risk in the banking book (continued)

Consolidated									
In thousands of AUD **2022**	**Weighted average Effective interest Rate (%)**	**Floating interest rate**	**Fixed interest rate**					**Non-interest bearing**	**Amount per Statement of Financial Position**
			1 year or less	**1 to 2 years**	**2 to 3 years**	**3 to 5 years**	**> 5 years**		
Financial assets									
Cash and cash on hand	-	-	-	-	-	-	-	140,027	140,027
Due from other financial institutions	0.45	-	102,528	-	-	-	-	-	102,528
Investment securities	2.08	7,042	106,201	7,512	5,613	16,145	22,073	-	164,586
Loans and advances	3.15	666,201	39,463	178,222	101,349	800	-	-	986,035
Commission and other receivables	-	-	-	-	-	-	-	24,928	24,928
Securitisation deposits	-	-	-	-	-	-	-	3,253	3,253
Other financial assets	-	-	-	-	-	-	-	-	-
Total financial assets		673,243	248,192	185,734	106,962	16,945	22,073	168,208	1,421,357
Financial liabilities									
Deposits	0.95	690,494	270,571	2,147	371	1,006	-	-	964,589
Lease liabilities	5.00	-	-	-	866	-	-	-	866
Commission and other payables	-	-	-	-	-	-	-	13,646	13,646
Securitisation liabilities	2.71	-	208,155	-	-	-	-	-	208,155
Subordinated notes	5.90	-	23,567	-	-	-	-	-	23,567
Term finance Facility	0.19	-	-	-	13,797	-	-	-	13,797
Total financial liabilities		690,494	502,293	2,147	15,034	1,006	-	13,646	1,224,620
Net financial assets/(liabilities)		**(17,251)**	**(254,101)**	**183,587**	**91,928**	**15,939**	**22,073**	**154,562**	**196,737**
2021									
Financial assets									
Cash and cash on hand	-	-	-	-	-	-	-	47,285	47,285
Due from other financial institutions	0.51	-	8,820	-	-	-	-	-	8,820
Investment securities	0.34	7,070	-	88,548	7,850	18,857	25,681	-	148,006
Loans and advances	3.00	445,912	2,195	34,036	55,018	1,247	-	-	538,408
Commission and other receivables	-	-	-	-	-	-	-	528,292	528,292
Sub-lease finance lease receivable	5.00	-	-	817	-	-	-	-	817
Securitisation deposits	-	-	-	-	-	-	-	373	373
Other financial assets	-	-	-	-	-	-	-	142	142
Total financial assets		452,982	11,015	123,401	62,868	20,104	25,681	576,092	1,273,143
Financial liabilities									
Deposits	0.45	397,535	234,383	2,044	249	1,389	47	-	635,647
Lease liabilities	5.00	-	-	-	3,368	-	-	-	3,368
Commission and other payables	-	-	-	-	-	-	-	477,606	477,606
Securitisation liabilities	1.93	-	37,846	-	-	-	-	-	37,846
Subordinated notes	5.44	-	9,640	-	-	-	-	-	9,640
Term finance Facility	0.19	-	-	-	13,772	-	-	-	13,772
Total financial liabilities		397,535	281,869	2,044	17,389	1,389	47	477,606	1,177,879
Net financial assets/(liabilities)		**55,447**	**(270,854)**	**121,357**	**45,479**	**18,715**	**25,634**	**98,486**	**94,264**

5. RISK AND CAPITAL MANAGEMENT

5.1.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

5.1.2 Interest rate risk in the banking book (continued)

Bank									
In thousands of AUD	**Weighted average Effective interest Rate (%)**	**Floating interest rate**	**Fixed interest rate**					**Non-interest bearing**	**Amount per Statement of Financial Position**
2022			**1 year or less**	**1 to 2 years**	**2 to 3 years**	**3 to 5 years**	**> 5 years**		
Financial assets									
Cash and cash on hand	-	-	-	-	-	-	-	139,627	139,627
Due from other financial institutions	0.45	-	102,528	-	-	-	-	-	102,528
Investment securities	2.08	7,042	106,201	7,512	5,613	16,145	22,073	-	164,586
Loans and advances	3.15	666,201	39,463	178,222	101,349	800	-	-	986,035
Commission and other receivables	-	-	-	-	-	-	-	3,911	3,911
Other financial assets	-	-	-	-	-	-	-	-	-
Total financial assets		673,243	248,192	185,734	106,962	16,945	22,073	143,538	1,396,687
Financial liabilities									
Deposits	0.95	690,494	270,571	2,147	371	1,006	-	-	964,589
Lease liabilities	5.00	-	-	-	405	-	-	-	405
Creditors and other payables	-	-	-	-	-	-	-	3,652	3,652
Securitisation liabilities	2.71	-	207,825	-	-	-	-	-	207,825
Subordinated notes	5.90	-	23,567	-	-	-	-	-	23,567
Term Finance Facility	0.19	-	-	-	13,797	-	-	-	13,797
Total financial liabilities		690,494	501,962	2,147	14,574	1,006	-	3,652	1,213,835
Net financial assets/(liabilities)		**(17,251)**	**(253,770)**	**183,587**	**92,388**	**15,939**	**22,073**	**139,886**	**182,852**
2021									
Financial assets									
Cash and cash on hand	-	-	-	-	-	-	-	41,591	41,591
Due from other financial institutions	0.51	-	8,820	-	-	-	-	-	8,820
Investment securities	0.34	7,070	-	88,548	7,850	18,857	25,681	-	148,006
Loans and advances	3.00	445,912	2,195	34,036	55,018	1,247	-	-	538,408
Commission and other receivables	-	-	-	-	-	-	-	5,743	5,743
Other financial assets	-	-	-	-	-	-	-	142	142
Total financial assets		452,982	11,015	122,584	62,868	20,104	25,681	47,476	742,710
Financial liabilities									
Deposits	0.45	397,535	234,383	2,044	249	1,389	47	-	635,647
Lease liabilities	5.00	-	-	-	543	-	-	-	543
Creditors and other payables	-	-	-	-	-	-	-	3,122	3,122
Securitisation liabilities	1.93	-	38,234	-	-	-	-	-	38,234
Subordinated notes	5.44	-	9,640	-	-	-	-	-	9,640
Term Finance Facility	0.19	-	-	-	13,772	-	-	-	13,772
Total financial liabilities		397,535	282,257	2,044	14,564	1,389	47	3,122	700,958
Net financial assets/(liabilities)		**57,447**	**(271,242)**	**120,540**	**49,304**	**18,715**	**25,634**	**44,354**	**44,752**

5. FINANCIAL RISK AND CAPITAL MANAGEMENT

5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

5.1.2 Interest rate risk in the banking book (continued)

Interest rate sensitivity
Taking into account past performance, future expectations, economic forecasts and management's knowledge and experience of the financial markets, the Group believes the impact on profit or loss and the impact on equity in the following table are 'reasonably possible' over the next 12 months, if interest rates had changed by +/- 50 basis points (2021: +/- 25 basis points) from the year-end rates, with all other variables held constant.

Judgement of reasonably possible movements(amounts in thousands of AUD):	Consolidated higher (lower)		Bank higher (lower)	
	2022	2021	2022	2021
100 basis points increase (2021: 25bps)	208	303	208	303
100 basis points decrease (2021: 25bps)	(208)	(303)	(208)	(303)

During the current financial year the methodology of assessment has changed with repricing over the course of 3 years. Comparatives have not been restated.

5.1.3 Market risk - Equity investments

The Group holds no equity investments at 30 June 2022.

Market rate sensitivity
Taking into account past performance, future expectations, economic forecasts and management's knowledge and experience of the financial markets, the Group believes the impact on equity in the following table are 'reasonably possible' over the next 12 months, if the fair value of the investment had changed by +/- 10% (2021: +/- 10%) from the year-end rates, with all other variables held constant.

Judgement of reasonably possible movements (amounts in thousands of AUD):	Consolidated Impact on equity		Bank Impact on equity	
	2022	2021	2022	2021
10% increase (2021:10%)	-	10	-	10
10% decrease (2021: 10%)	-	(10)	-	(10)

5.1.4 Credit risk

Credit risk is the risk that the Group will incur a loss because its customers or counterparties failed to discharge their contractual obligations. New or potential exposures are subject to the Group's credit risk management framework. The credit risk management framework includes delegated limits, approval levels, collateral requirements, servicing criteria, concentration limits as well as other principles designed to manage the level of credit risk exposure.

Maximum exposures to credit risk
The maximum exposure to credit risk in the Bank equals the drawn down portion in the Statement of Financial Position and the undrawn portion of all committed facilities of loans and receivables as listed in Note 7.8. The maximum exposure to credit risk in the Aggregation and Wholesale businesses are in respect of accrued commission receivable and trade debtors. The major classes of financial assets that expose the Group to credit risk are loans to customers (including undrawn and unused credit commitments), cash with banks, investments and amounts due from other financial institutions and accrued commission receivable.

Collateral and other credit enhancements
Loans and advances, except unsecured overdrafts, are backed by collateral. The amount and type of collateral required depends on the assessment of the credit risk of the customer. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

5. FINANCIAL RISK AND CAPITAL MANAGEMENT

5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

5.1.4 Credit Risk (continued)

The main types of collateral obtained are as follows:
- For retail lending; mortgages over residential properties and consumer assets such as motor vehicles
- For commercial lending; mortgages over real estate properties and equitable charges over business assets

Management monitors the market value of collateral however collateral is generally not revalued except in some circumstances where a loan is individually assessed as impaired or a customer seeks an increased loan against existing collateral. For residential lending the Group may also require the customer to acquire Mortgage Insurance where the loan does not meet a specified criteria, usually determined by the loan to value ratio.

The terms and conditions of collateral are specific to individual loan and security types. It is the Group's policy to dispose of repossessed collateral in an orderly fashion and the proceeds used to repay or reduce the outstanding claim. During the year ended 30 June 2022, the Group repossessed one residential property with a fair value of $220,000 which was sufficient to payout the loan balance and expenses in the amount of $179,639 (2021: one property with a fair value of $240,000).

Concentrations of credit risk – Banking activities

The Group monitors concentration of credit risk by purpose. An analysis of concentrations of credit risk at the reporting date is shown below:

In thousands of AUD	Consolidated 2022 $	Consolidated 2021 $	Bank 2022 $	Bank 2021 $
Owner occupier home loans	651,087	351,443	651,087	351,443
Investment home loans	321,081	171,217	321,081	171,217
Commercial loans	13,368	14,206	13,368	14,206
Secured personal loans	223	371	223	371
Unsecured personal loans	26	68	26	68
Overdrafts	250	1,103	250	1,103
	986,035	538,408	986,035	538,408

As at 30 June 2022 there were no borrowers (2021: nil) who individually have facilities which represent 10% or more of the regulatory capital base.

i. Credit quality – loans and advances

The credit quality of the Group's loans and advances is summarised in the tables below:

In thousands of AUD	Consolidated 2022 $	Consolidated 2021 $	Bank 2022 $	Bank 2021 $
Past due but not impaired				
30 days & less than 90 days	2,994	2,860	2,994	2,860
90 days & less than 182 days	697	1,192	697	1,192
182 days or more	283	164	283	164
	3,974	4,216	3,974	4,216
Impaired – mortgage loans	-	-	-	-
Impaired – personal loans	-	-	-	-
Neither past due or impaired	982,061	534,192	982,061	534,192
Total loans and advances	986,035	538,408	986,035	538,408

5. FINANCIAL RISK AND CAPITAL MANAGEMENT

5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

5.1.4 Credit risk (continued)

ii. Collateral – loans and advances

The Group holds collateral and other credit enhancements against certain of its credit exposures. The table below sets out the principal types of collateral held against different types of financial assets:

Type of credit exposure	Percentage of exposure that is subject to collateral requirements 2022	2021	Principal type of collateral held
Deposits with banks and short-term securities	-	-	Marketable securities
Investment securities	-	-	Marketable securities
Residential loans	100	100	Residential property
Personal loans	53	91	Residential property and/or motor vehicles
Overdrafts	98	90	Residential property
Term loans	100	100	Commercial and/or residential property, floating charges over business assets

The following table shows the Group's Loan to Value Ratio (LVR) on its residential mortgages. Valuation amounts used in these calculations are based on the security value taken at the time the loans were originated or subsequent revaluation.

In thousands of AUD	Consolidated 2022 $	2021 $	Bank 2022 $	2021 $
Loan To Value Ratio				
0 – 60.0%	335,844	162,293	335,844	162,293
60.01 – 80.0%	505,724	278,709	505,724	278,709
80.01 – 90.0%	104,509	65,384	104,509	65,384
>90.01%	26,091	16,275	26,091	16,275
	972,168	522,661	972,168	522,661

iii. Credit quality – Amounts due from other financial institutions and investment securities

The Group invests in short term securities and investment securities issued by other Australian banks as part of its liquidity management process (refer to note 5.1.5). The Group's liquidity investments are held with a range of Australian banks or Government agencies and are selected with reference to credit ratings determined by Standard & Poors or Moody's credit rating agencies.

Deposits with other banks and short-term securities

In thousands of AUD	Consolidated 2022 $	2021 $	Bank 2022 $	2021 $
Long Term Credit Rating				
1 (AAA to AA-)*	-	-	-	-
2 (A+ to A-)*	17,620	8,820	17,620	8,820
3 (BBB+ to BBB-)*	-	-	-	-
Unrated	84,908	-	84,908	-
	102,528	8,820	102,528	8,820

5. FINANCIAL RISK AND CAPITAL MANAGEMENT

5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

5.1.4 Credit risk (continued)

Investment securities

In thousands of AUD	Consolidated 2022 $	Consolidated 2021 $	Bank 2022 $	Bank 2021 $
Long Term Credit Rating				
1 (AAA to AA-)*	105,088	148,006	105,088	148,006
2 (A+ to A-)*	53,465	-	53,465	-
Unrated	6,033		6,033	
	164,586	148,006	164,586	148,006

** Or equivalent rating by other rating agencies*

Accrued commission receivable and other debtors

In thousands of AUD	Consolidated 2022 $	Consolidated 2021 $	Bank 2022 $	Bank 2021 $
Long Term Credit Rating				
1 (AAA to AA-)*	5	327,016		-
2 (A+ to A-)*	699	55,579		-
3 (BBB+ to BBB-)*	8,444	37,130		-
Unrated	12,414	105,399	3,911	5,742
	21,562	525,124	3,911	5,742

** Or equivalent rating by other rating agencies*

The Group's other outstanding receivables arise from transactions with customers located within Australia. The amounts owing from other financial institutions include the net present value (NPV) of future trail commission receivable and accrued commission income.

The majority of the Group's NPV trail commission and accrued commission receivables are from counterparties that are rated between BBB and AA-.

Accounting policy - Recognition and measurement

As set out in note 3.1, loans are initially reviewed when they reach 30 days in arrears, and individually assessed for recoverability. They are then considered to be in default when they reach 90 days past due. An assessment is then made to determine whether loans are classified as impaired or past due.

Impaired loans
Loans for which the Company determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan.

Past due but not impaired loans
Loans where contractual interest or principal payments are past due, but the Group believes that impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the Group.

Loans with renegotiated terms
The Group renegotiates loans to customers in financial difficulties to maximise collection opportunities and minimise the risk of loss. Loans that have been restructured due to deterioration in the borrower's financial position are considered on a selective basis where the borrower has demonstrated reasonable efforts to meet their commitments, and where the Group has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category for 12 months independent of satisfactory performance after restructuring. There have been no instances of loan restructures during this reporting period.

5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

5.1.4 Credit risk (continued)

Allowances for impairment
Refer to note 3.2 for the Group's policy with respect to provisioning for expected credit losses.

Write-off policy
Bad debts are written off as determined by management and recommended to the Board of Directors when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are written off as expenses in the Income Statement or against the provision for impairment.

Where the Group holds collateral against loans and advances, it is in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing. These estimates are generally only updated when loan is individually assessed as impaired.

5.1.5 Liquidity risk

Liquidity risk is the risk that the company will be unable to meet its payment obligations when they fall due under normal and stress circumstances.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient funds available to meet its liabilities under both normal and stressed conditions, without incurring unacceptable losses. Sources of liquidity risk include unforeseen withdrawals of demand deposits, increased demand for loans and drawdown on available credit limits, and inability to liquidate a marketable asset. The Group maintains a portfolio of short term liquid assets to ensure that sufficient liquidity is maintained for daily operational requirements.

The Group has documented its strategy to manage liquidity risk in a liquidity policy and liquidity management plan which includes the following activities by Management:
- On a daily basis, an assessment is made of the daily cash position and the investment action to be undertaken.
- On a daily basis, a summary of the Group's liquidity position, including movements in major liquid assets and liabilities is reviewed.
- On a monthly basis, the liquidity position is reported to the Board, including an explanation of significant movements and corrective action taken, where applicable.
- Regularly reporting current and emerging liquidity management trends to the Board and highlighting risk areas and relevant market conditions/expectations.

The Group's policy is to apply a minimum level of 21% (2021: 18%) of funds as liquid assets to maintain adequate funds for meeting customer withdrawal requests. This ratio is checked daily. In order to minimise the risk of the liquidity ratio falling below 21% (2021: 18%); the Board has determined a target liquidity trading range of 18% - 25% in normal market situations.

Deposits are the liability class that presents the major source of risk to the Group's liquidity management. Concentrations within this class of financial liability are measured in terms of exposures to individual depositors and groups of related depositors. As at 30 June 2022 there were no deposits greater than 10% of total liabilities (2021: nil).

The liquidity ratio is calculated based on the formula prescribed by APRA in APS 210 as summarised below:

	Consolidated		Bank	
In thousands of AUD	**2022 $**	**2021 $**	**2022 $**	**2021 $**
High quality liquid assets	363,833	205,637	363,433	199,372
Adjusted liability base for regulatory purposes	1,069,753	622,706	1,066,655	601,424
Liquidity ratio	34.0%	33.1%	34.1%	33.0%

5. FINANCIAL RISK AND CAPITAL MANAGEMENT

5.1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

5.1.6 Operational risk

Operational risk is a risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks (such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour). Operational risks arise from all of the Company's operations and are faced by all business entities.

The Group's objective is to manage operational risk so as to balance the avoidance of financial loss and damage to the Group's reputation, against excessive cost and control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of the Company's overall standards for management of operational risk in the following areas:

- Compliance with regulatory and other legal requirements
- Third party supplier relationships including the risk of modern slavery
- Business continuity and contingency planning
- People and key person risk including training and professional development
- Outsourcing risk associated with materially outsourced services
- Competition risk
- Fraud risk
- Requirements for appropriate segregation of duties, including independent authorisation of transactions
- Requirements for the reconciliation and monitoring of transactions
- Documentation of controls and procedures
- Anti-money laundering (AML)/Know your customer(KYC) protocols
- IT security and vendor management
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- Requirements for the reporting of operational losses and proposed remedial action
- Ethical and business standards
- Risk mitigation, including insurance where this is effective

Resources for lending, operations and aggregation processes are reviewed regularly and significant investment has occurred in the current year in people and processes to enhance the operational risk management framework. Following the onset of COVID-19, work from home practices were implemented across the Group in order to protect our people from the risk of the disease. Security of data and restriction of access to IT systems was a key area of focus to ensure the businesses of the Group could continue to function and service customers and brokers effectively, without increasing risk of data breaches. This was a controlled and managed process with oversight by the Board. Staff in certain locations have commenced a return to office process on a staged basis.

5.1.7 Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Wherever possible, fair values are calculated by the Group using unadjusted quoted market prices in active markets for identical instruments. A quoted price in an active market provides the most reliable evidence of fair value. For all other financial instruments, the fair value is determined by using other valuation techniques.

5. FINANCIAL RISK AND CAPITAL MANAGEMENT

5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

5.1.7 Fair value of financial assets and liabilities

As part of the fair value measurement, the Group classifies its assets and liabilities according to a hierarchy that reflects the observability of significant market inputs. The three levels of the hierarchy are described below:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable in an active market
- Level 3 — Valuation techniques for which significant inputs to the fair value measurement are not based on observable market data

The Group measures most financial instruments at amortised cost, however disclosure of fair value is made throughout these financial statements.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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:

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Fair value is determined on the basis of the present value of expected future cash flows under the terms and conditions of each financial asset or liability. Significant assumptions used in determining the cash flows are that the cash flows will be consistent with the contracted cash flows under the respective contracts. The information is only relevant to circumstances at the reporting date and will vary depending on the contractual rates applied to each asset or liability, relative to market rates and conditions at the time. No assets held are regularly traded by the Group. Investments in listed entities are tradeable on public markets and are classified as Level 1 financial assets in the fair value hierarchy. At the reporting date, the Group does not hold any Level 1 financial assets.

5. FINANCIAL RISK AND CAPITAL MANAGEMENT

5.1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

5.1.7 Fair value of financial assets and liabilities (continued)

	Consolidated			
	Fair value		Carrying amount	
In thousands of AUD	2022 $	2021 $	2022 $	2021 $
Financial assets				
Cash and cash equivalents	140,027	47,285	140,027	47,285
Accrued commission receivable	530	19,418	530	19,418
Due from other financial institutions	102,528	8,820	102,528	8,820
Investment securities	158,477	147,236	164,586	148,006
Loans and advances	1,021,766	549,658	990,066	539,939
Other financial assets	-	142	-	142
Total financial assets	1,423,328	772,559	1,397,737	763,610
Financial liabilities				
Deposits	965,437	635,647	964,589	635,647
Accrued commission payable	262	19,863	262	19,863
Other financial liabilities	245,519	61,258	245,519	61,258
Creditors and other payables	5,931	4,361	5,931	4,361
Total financial liabilities	1,217,149	721,129	1,216,301	721,129
	Bank			
Financial assets				
Cash and cash equivalents	139,627	41,591	139,627	41,591
Due from other financial institutions	102,528	8,820	102,528	8,820
Investment securities	158,477	147,264	164,586	148,005
Loans and advances	1,018,355	551,246	990,506	541,527
Other receivables	3,911	5,743	3,911	5,743
Other financial assets	-	142	-	142
Total financial assets	1,422,898	754,806	1,401,158	745,828
Financial liabilities				
Deposits	965,437	635,647	964,589	635,647
Other financial liabilities	245,190	61,646	245,190	61,646
Creditors and other payables	3,652	3,266	3,652	3,266
Total financial liabilities	1,214,279	700,559	1,213,431	700,559

5. FINANCIAL RISK AND CAPITAL MANAGEMENT

5.1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

5.1.7 Fair value of financial assets and liabilities (continued)

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

Cash and Amounts Due from other financial institutions
The carrying values of cash and liquid assets and receivables due from other financial institutions redeemable within 12 months approximate their fair value as they are short term in nature or are receivable on demand.

Accrued commission receivable and other receivables
The carrying values of receivables approximate fair value as they are short term in nature and collected within 12 months.

Loans and advances
The carrying value of loans and advances is net of provisions for doubtful debts. For variable rate loans, (excluding impaired loans) the amount shown in the statement of financial position is considered to be a reasonable estimate of fair value. For fixed rate loans the fair values are based on cash flows discounted at a rate reflecting current market rates adjusted for counterparty credit risk.

Investment Securities
Investment Securities comprise floating rate notes issued by Australian banks and bonds issued by the Commonwealth and state governments. These securities can be traded in secondary markets and fair value has been determined by indicative prices as quoted on Bloomberg.

Other financial assets
Refer to Note 4.2, the balance comprises unlisted equity instruments held at fair value. This unlisted equity instrument was sold during current reporting period.

Deposits
The fair value of call and variable rate deposits, and fixed rate deposits repricing within 12 months, is the amount shown in the statement of financial position. Discounted cash flows were used to calculate the fair value of other term deposits, based upon the deposit type and the rate applicable to its related period maturity.

Accrued commission payable, creditors and other payables
The carrying values of payables approximate fair value as they are short term in nature.

Other financial liabilities
Refer to note 4.5. Recognised at amortised cost, the other financial liabilities comprise the RBA Term Funding Facility, securitisation liabilities and subordinated floating rate notes.

5.2 CAPITAL MANAGEMENT

5.2.1 Overview

The Group is licensed as an Authorised Deposit-taking Institution (ADI) under the Banking Act 1959 and is subject to prudential supervision by APRA.

5.2.2 Capital management

The Company's regulator, the Australian Prudential Regulation Authority (APRA) prescribes minimum capital requirements for the Company (Level 1) and the Group (Level 2). The Board determines the minimum capital adequacy ratio (CAR) applicable to both Level 1 and 2 in order to ensure sufficient buffer is maintained above the APRA prescribed minimums. Regulatory capital comprises eligible capital instruments, retained earnings and reserves less prescribed deductions. The CAR is determined as the percentage of regulatory capital to risk weighted assets. Risk weighted assets are determined by applying prescribed risk weights to individual assets, with the risk weights set according to Basel III standard methodology, reflecting the risk attached to each asset.

The Group has documented its strategy to manage capital in its internal capital adequacy assessment process which includes the capital management plan. Capital management is an integral part of the Group's risk management framework.

5. FINANCIAL RISK AND CAPITAL MANAGEMENT

5.2 CAPITAL MANAGEMENT

5.2.2 Overview (continued)

The APRA Prudential Standards include APS 110 Capital Adequacy which:
- Imposes on the Board a duty to ensure that the Company and Group maintains an appropriate level and quality of capital commensurate with the level and extent of the risks to which the Company and Group is exposed from its activities; and
- Obliges the Company and Group to have in place an Internal Capital Adequacy Assessment Process (ICAAP).

The Group's policy is to apply a minimum target of 15.0% capital (2021: 17.5%).

In accordance with the Group's capital management objectives, the Company's and Group's regulatory minimum capital requirements were exceeded at all times throughout the year.

	Consolidated (Level 2)		Bank (Level 1)	
In thousands of AUD	**2022**	**2021**	**2022 $**	**2021 $**
Tier 1 capital	162,362	42,126	157,943	40,861
Tier 2 capital	25,773	9,999	25,566	9,999
Total regulatory capital	188,135	52,125	183,509	50,860
Risk weighted assets	396,023	236,706	396,843	236,825
Capital adequacy ratio	47.51%	22.02%	46.24%	21.48%

Disclosures required under Prudential Standard APS 330 Public Disclosure can be located on our website at: https://bnk.com.au/investor-centre/disclosure-statements/.

5.2.3 Share capital

		Bank	
In thousands of AUD	**Note**	**2022 $**	**2021 $**
Share capital		122,275	120,035

Movements in ordinary shares on issue		Number of shares	2022 $	Number of shares	2021 $
Beginning of the financial year		114,187,400	120,035	94,270,399	106,270
Issued during the year in a placement		-	-	18,572,000	13,000
Exercise of performance rights		4,015,388	2,240	1,345,001	765
		118,202,738	122,275	114,187,400	120,035
Less equity raising costs	5.2.4	-	(3,332)	-	(3,307)
		118,202,738	118,943	114,187,400	116,728

Terms and conditions of ordinary shares

The Company does not have authorised capital nor par value in respect of its issued capital.

Ordinary fully paid shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary fully paid shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

5. FINANCIAL RISK AND CAPITAL MANAGEMENT

5.2 CAPITAL MANAGEMENT

5.2.4 Equity raising costs

	Bank	
In thousands of AUD	**2022 $**	**2021 $**
Balance at the beginning of the year	3,307	2,754
Equity raising costs incurred	36	766
Deferred tax recognised directly in equity	(11)	(213)
Balance at the end of the year	3,332	3,307

Accounting policy - Recognition and measurement

The transaction costs of a new equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. Transaction costs include registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties.

5.2.5 Treasury shares reserve

In thousands of AUD	**2022 $**	**2021 $**
Balance at the beginning of the year	(103)	(103)
Acquired during the year to fulfil the exercise of performance rights	-	-
	(103)	(103)

Pursuant to the BNK Equity Incentive Plan, the Company may issue new shares or acquire shares on market to allocate to staff upon exercising performance rights as set out in note 7.5.2. At 30 June 2022, the Company does not hold any treasury shares.

Accounting policy - Recognition and measurement

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury shares reserve. When treasury reserve shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit is retained within the reserve.

5. FINANCIAL RISK AND CAPITAL MANAGEMENT

5.3 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the net profit or loss for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit or loss attributable to ordinary equity holders of the Company adjusted for the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Discontinuing operations		**Continuing operations**		**Consolidated**	
In thousands of AUD	**2022 $**	**2021 $**	**2022 $**	**2021 $**	**2022 $**	**2021 $**
Net profit/(loss) attributable to ordinary share holders	72,178	9,033	(12,391)	(3,374)	59,787	5,659
Basic earnings per share (cents)	62.31	9.33	(10.70)	(3.49)	51.61	5.85
Diluted earnings per share (cents)	61.02	9.22	(10.48)	(3.44)	50.55	5.77

Weighted average number of ordinary shares	**2022**	**2021**
Issued Share Capital 1 July	114,187,400	94,270,399
Effect of performance rights exercised	1,656,622	2,505,611
Weighted average ordinary shares for basic earnings per share 30 June	115,844,022	96,776,010
Effect of performance rights exercised	2,438,234	1,244,267
Weighted average ordinary shares for diluted earnings per share 30 June	118,282,256	98,020,277

5.4 DIVIDENDS PAID OR PROPOSED AND FRANKING ACCOUNT

No dividend was paid or declared by the Company in the period and up to the date of this report.

After the balance sheet date the following dividends were proposed by the board of directors. The dividends have not been recognised as liabilities and there are no tax consequences. (2021: nil).

Franking credit balance

In thousands of AUD	**2022 $**	**2021 $**
The amount of franking credits available for the subsequent financial years are:		
Franking account balance as at the end of the financial year at 30% (2021: 30%)	2,546	2,544
Franking credits that will arise from the payment/(receipt) of income tax payable/receivable as at the end of the financial year	17,408	-
Franking credits that arise from the receipt of franked dividends	144	2
Franking credits available for subsequent reporting periods at 30% (2021: 30%)	20,098	2,546

NOTES TO THE FINANCIAL REPORT

6. GROUP STRUCTURE

6.1.1 Investments in subsidiaries

In thousands of AUD	Note	Bank 2022 $	Bank 2021 $
Investments in subsidiaries at cost		19,896	61,925

Subsidiaries

Subsidiary name	Segment	Ownership 2022	Ownership 2021
Finsure Holding Pty Ltd	Aggregation	-	100%
Finsure Finance & Insurance Pty Ltd	Aggregation	-	100%
Finsure Domain Names Pty Ltd	Aggregation	-	100%
Finsure Wealth Pty Ltd	Aggregation	-	100%
Beagle Finance Pty Ltd	Aggregation	-	100%
Smart Finance & Wealth Pty Ltd	Aggregation	-	100%
1300 Home Loan Holdings Pty Ltd	Aggregation	-	100%
Mystro CRM Pty Ltd	Aggregation	-	100%
Wikibroker Pty Ltd	Aggregation	-	100%
Iden Holdings Pty Ltd	Banking	100%	100%
Better Choice Home Loans Pty Ltd	Banking	100%	100%
Future Financial 1 Pty Ltd	Banking	100%	100%
Pioneer Mortgage Holdings Pty Ltd	Banking	100%	100%
Romavale Pty Ltd	Banking	100%	100%
Australian Capital Home Loans Pty Ltd	Banking	100%	100%
Bullion Trust No.1	Banking	100%	100%

Accounting policy - Recognition and measurement

'Subsidiaries' are entities controlled by the Group. The Group 'controls' an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an investee. Consolidated structured entities (CSEs) are established for specific pre-defined purposes operating within a contractual framework. During the comparable year, the Group established the Bullion Trust No.1 for the purpose of originating residential loans for securitisation purposes.

The financial statements of subsidiaries and CSEs are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at date of acquisition, and not considered material to the Group. Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Business Combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisitions is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

7. OTHER NOTES

7.1 Property, plant and equipment

In thousands of AUD	Note	Consolidated 2022 $	Consolidated 2021 $	Bank 2022 $	Bank 2021 $
Office equipment and leasehold improvements		837	1,145	66	64
Accumulated depreciation		(802)	(926)	(45)	(33)
		35	219	21	31
Motor vehicles		44	44	44	44
Accumulated depreciation		(29)	(25)	(29)	(25)
		15	19	15	19
Computer equipment and IT hardware		171	539	145	145
Accumulated depreciation		(165)	(426)	(140)	(124)
		6	113	5	21
Right of use assets		1,581	4,191	761	761
Accumulated depreciation		(825)	(1,896)	(428)	(294)
		756	2,295	333	467
Total property, plant and equipment		812	2,646	374	538

Reconciliations of the carrying value for each class of property, plant and equipment are set out below:

Consolidated					
In thousands of AUD	Right of Use Asset $	Office Equip & L/H imp $	Motor vehicles $	Computer equip & IT hardware $	Total $
Opening written down value at 1 July 2021	2,295	219	19	113	2,646
Additions					
Disposals	(1,240)	(142)	-	(90)	(1,472)
Depreciation	(299)	(42)	(4)	(17)	(362)
Closing written down value at 30 June 2022	756	35	15	6	812

Bank					
In thousands of AUD	Right of Use Asset $	Office Equip & L/H imp $	Motor vehicles $	Computer equip & IT hardware $	Total $
Opening written down value at 1 July 2021	467	31	19	21	538
Additions	-	3	-	-	3
Disposals	-	-	-	-	-
Depreciation	(134)	(13)	(4)	(16)	(167)
Closing written down value at 30 June 2022	333	21	15	5	374

7. OTHER NOTES

7.1 Property, plant and equipment (continued)

Accounting policy - Recognition and measurement

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and Equipment
Plant and equipment are measured on the cost basis less depreciation and impairment losses. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows are discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Right of use assets
The Group has recognised right of use assets relating to its leases pursuant to AASB 16 Leases.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability (refer to note 7.4) adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

Depreciation
The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation rate	Method of Depreciation
Office plant and equipment and Leasehold improvements	3-7 years	Straight-line
Right of use assets	3-5 years	Straight-line
Motor vehicles	8 years	Straight-line
Computer equipment and programs	2-5 years	Straight-line

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to profit or loss.

7. OTHER NOTES

7.2 Goodwill and other intangible assets

In thousands of AUD	Consolidated 2022 $	Consolidated 2021 $	Bank 2022 $	Bank 2021 $
Goodwill – at cost	7,100	19,172	-	-
Brandnames, trademarks and domain names	171	16,565	170	170
Software	-	8,704	-	
Accumulated amortisation	-	(3,116)	-	-
	-	5,588	-	-
Broker relationships	-	4,075	-	-
Accumulated amortisation	-	(1,865)	-	-
	-	2,210	-	-
Other intangible assets	176	176	176	176
Accumulated amortisation	(40)	(22)	(40)	(22)
	136	154	136	154
Total goodwill and other intangibles	7,407	43,689	306	324

Reconciliation of intangible assets

In thousands of AUD	Consolidated Goodwill $	Brand names & trademarks $	Software $	Broker relationships $	Other Intangible $	Total $
Balance at 1 July 2020	19,172	16,557	6,296	2,407	-	44,432
Additions	-	8	571	-	176	755
Disposals	-	-	(345)	-	-	(345)
Amortisation	-	-	(934)	(197)	(22)	(1,153)
Balance at 1 July 2021	19,172	16,565	5,588	2,210	154	43,689
Additions	-	-	-	-	-	-
Disposals	(12,072)	(16,394)	(5,588)	(2,210)	-	(36,264)
Amortisation	-	-	-	-	(18)	(18)
Closing balance at 30 June 2022	7,100	171	-	-	136	7,407

Reconciliation of intangible assets

In thousands of AUD	Bank Brand names & trademarks $	Software $	Broker relationships $	Other Intangible $	Total $
Balance at 1 July 2020	162	-	-	-	162
Additions	8	-	-	176	184
Amortisation	-	-	-	(22)	(22)
Balance at 1 July 2021	170	-	-	154	324
Additions	-	-	-	-	-
Amortisation	-	-	-	(18)	(18)
Closing balance at 30 June 2022	170	-	-	136	306

7. OTHER NOTES

7.2 Goodwill and other intangible assets (continued)
Accounting policy - recognition and measurement

Goodwill and other intangible assets with a finite life recognised upon acquisition of subsidiaries are measured at cost less accumulated impairment losses.

Costs incurred in acquiring software or developing software, that is not cloud based Software as a Service (SaaS) that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to computer software. Costs capitalised include external direct costs of materials, service, consultants spent on the project and internal costs of employees directly engaged in delivering the project. For software in the course of development, amortisation commences once development is complete and the software is in use.

Other intangible assets are recognised at cost less accumulated amortisation and impairment losses.

Subsequent expenditure is recognised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands is recognised in profit or loss.

Amortisation

Amortisation is calculated to write-off the asset less its estimated residual value using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Goodwill is not amortised, but tested annually for impairment.

The estimate useful lives of intangible assets with a finite useful life are as follows:

- Other 10 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted as appropriate.

Impairment testing for CGUs containing goodwill

For the purpose of impairment testing, goodwill has been allocated to the Group's cash generating units (CGUs) as follows:

In thousands of AUD	**2022**	**2021**
	$	**$**
Aggregation	-	12,000
Banking	7,100	7,172
Total goodwill	7,100	19,172

With Aggregation leaving the Group during 2022, the Group now only has a single CGU remaining for Bank.

Bank CGU was tested for impairment using the value in use approach, by discounting future cash flows (5 years) estimated from the continuing use of the CGU. The recoverable amount for the CGU was determined to be above the carrying amount.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent the Group's best estimates of future CGU performance, after considering internal and external sources of information.

Input	**2022**	**2021**
Discount rates (post-tax)	12%	11%
Terminal value growth rate	2.5%	2.5%
Budgeted net income growth rates	10-75%	8-37%
Budgeted cost rates	2–11%	2-10%

7. OTHER NOTES

7.2 Goodwill and other intangible assets (continued)

Discount rates were determined after assessing the Group's weighted average cost of capital and adjusting for risks specific to the CGU and/or the risks inherent to the cash flow forecasts. The cash flow projections include specific estimates from companies considered comparable over five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term growth rate, consistent with the assumptions that a market participant would expect.

Budgeted revenue was based on the Group's plans for the CGU taking into account past experience and adjustments regarding expectations of future outcomes including economic conditions.

No impairment loss has been recognised for the CGU at 30 June 2022. The CGU is generating headroom of $79m.

Management has estimated that changes in two key assumptions could cause the carrying amount to exceed the recoverable amount, these being the discount rate or budgeted revenue growth rates. The following table shows the amount by which these assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount (reduce the headroom to nil).

Input	**Banking**
Discount rates (post-tax)	9.5%
Average budgeted revenue growth	(12.5%)

7.3 Provisions

In thousands of AUD	Note	Consolidated 2022 $	Consolidated 2021 $	Bank 2022 $	Bank 2021 $
Provision for annual leave		749	1,249	429	295
Provision for long service leave		288	429	15	4
Total provisions		1,037	1,678	444	299

Accounting policy - recognition and measurement
Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the reporting date. Employee benefits that are due to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Contributions are made by the Group to employee nominated superannuation funds and are charged as expenses when incurred.

7.4 Leases

Lease liabilities are payable as follows.

In thousands of AUD	Consolidated ($) Future minimum lease payments	Consolidated ($) Interest	Consolidated ($) Present value of lease payments	Bank ($) Future minimum lease payments	Bank ($) Interest	Bank ($) Present value of lease payments
Less than one year	358	37	321	168	17	151
Between one and five years	582	22	560	264	10	254

7. OTHER NOTES

7.4 Leases (continued)

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains a lease if the contact conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in AASB 16.

Group acting as a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates consideration in the contract to each lease component on the basis of its relative stand-alone price.

The Group recognises a right-of-use asset (refer to note 7.2) and a lease liability at the lease commencement date.

The lease liability is initially measured at the present value of the lease payments that are not paid at the lease commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

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

- Fixed payments, including in-substance fixed payments; or
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets within 'property, plant and equipment' and lease liabilities in 'other liabilities' in the Consolidated Statement of Financial Position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Group acting as a lessor

At inception or on modification of a contact that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices.

When the Group acts as lessor, it determines at lease inception whether the lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

7.5 Related Party Disclosures

Information regarding individual Directors and Executive compensation and some equity instrument disclosures as required by the Corporations Regulation 2M.3.03 is provided in the Remuneration Report section of the Directors' report. Disclosure of the compensation and other transactions with key management personnel (KMP) is required pursuant to the requirements of Australian Accounting Standard AASB 124 Related Party Disclosures. The KMP of the Company comprises the Non-Executive Directors and Executives.

7. OTHER NOTES

7.5.1 Key Management Personnel (KMP)

The aggregate compensation of KMP during the year comprising amounts paid or payable or provided for was as follows:

In thousands of AUD	**2022 $**	**2021 $**
Short-term employee benefits	3,127	3,097
Post-employment benefits	193	200
Other long-term benefits	1,241	136
Termination benefits	-	100
	4,561	3,533

In the above table, remuneration shown as short term benefits means (where applicable) wages, salaries and other contributions, paid annual leave and paid sick leave, and bonuses, value of fringe benefits received, but excludes out of pocket expense reimbursements.

7.5.2 Share-Based Payments

Shareholders of the Company approved the continuation of the BNK Equity Incentive Plan or ("the Plan") at the 2019 Annual General Meeting. Pursuant to the terms of the Plan, executives and employees may be offered performance rights that entitle the executive to the Company delivering fully paid ordinary shares, either issued by the Company or acquired on market at the election of the Board. Additionally, the Plan enables the Company to grant fully paid ordinary shares to employees from time to time.

Performance rights – grant dates

a) On 5 December 2019, 250,000 performance rights were awarded to five employees in recognition of their performance for the year ended 30 June 2019 ('FY19 Bonus"). One third of these performance rights each vest on 30 September 2020, 30 September 2021 and 30 September 2022 subject to the approval of the Remuneration Committee and continued service. For the first and second tranche, 116,669 have been exercised whilst 50,001 have been forfeited. For the remaining tranche, 33,332 were vested and exercised on 7 February (due to the Finsure Sale), 33,332 were forfeited and 16,666 remain to be exercised on 30 September 2022.

b) On 28 August 2020, 450,000 performance rights were awarded to six employees in recognition of their performance for the year ended 30 June 2020 ('FY20 Bonus"). Of these, 50% of the performance rights vested immediately, with the remaining 50% deferred to 31 July 2024 subject to continued service. Of the remaining performance rights, 65,000 have been forfeited, 90,000 exercised (Finsure sale) and 40,000 remain to be vested.

c) On 1 December 2020, 125,000 performance rights were awarded to Mr John Kolenda as a FY20 Bonus following receipt of shareholder approval at the 2020 Annual General Meeting. These performance rights were exercised at the time of the Finsure Sale in February 2022.

d) On 18 August 2021, 4,950,000 performance rights were granted to executives under the Transformational Long Term Incentive Plan (TLTIP). The vesting conditions for the rights provided for 60% vesting in 3 years with the remainder vesting in 4 years. The sale of Finsure saw the vesting conditions of these performance rights accelerated by the Board with 1,790,748 rights terminated, 1,134,572 rights forfeited, and 2,024,680 exercised. Of the rights exercised between 10% and 19% remain in escrow until 30 June 2025.

e) On 1 December 2021, 1,200,000 performance rights were awarded to Mr John Kolenda as part of the TLTIP. These performance rights vesting conditions were accelerated on the sale of Finsure, with 576,000 terminated and 624,000 exercised of which 21% are held in Escrow until 30 June 2025.

f) On 1 September 2021, 287,500 performance rights were awarded to 6 employees in recognition of their performance for the year ended 30 June 2021 ('FY21 Bonus"). Of these, 194,885 performance rights vested immediately, with the remaining rights, deferred to 1 September 2025. The sale of Finsure saw 38,440 of performance rights exercised in February 2022, whilst 28,550 have been forfeited, 25,625 remain vested to 1 September 2025.

7. OTHER NOTES

7.5.2 Share-Based Payments (continued)

Performance rights – fair value and vesting conditions

a) The fair value of the BNKEIP performance rights has been measured using a Monte Carlo simulation. The inputs used in the measurement of the fair values at grant date of the BNKEIP performance rights are summarised below.

The key terms and conditions related to the grants under the BNKEIP are as follows; all performance rights are to be settled by the physical delivery of shares.

The inputs used in the measurement of the fair values at grant date of the BNKEIP performance rights were as follows:

Fair value at grant date	$0.2613 to $0.7830
Share price at grant date	$1.02
Exercise price	Nil
Expected volatility	31.54%
Expected dividends	Nil
Risk free interest rate (based on government bonds)	2.13%

The amount recognised for the period ended 30 June 2022 in relation to the BNKEIP performance rights was $21,085 (2021: $127,818).

b) The fair value of the FY18 Bonus performance rights of $90,000 was determined with reference to the share price on the grant date of $0.90. The fair value of the grant is being recognised over the 20 month vesting period. The options vesting conditions are limited to service. The amount recognised in profit and loss for the year ended 30 June 2022 in relation to these performance rights was $0 (2021:$148).

c) The fair value of the retention performance rights of $315,000 was determined with reference to the share price on the grant date of $0.63. The fair value of the grant is being recognised over the respective vesting period of each tranche. The options vesting conditions are limited to service. The amount recognised in profit and loss for the year ended 30 June 2022 in relation to these performance rights was $130 (2021:$ 47,728).

d) The fair value of the FY19 Bonus performance rights of $145,000 was determined with reference to the share price on the grant date of $0.58. The fair value of the grant is being recognised over the respective vesting period of each tranche. The options vesting conditions are limited to service. The amount recognised in profit and loss for the year ended 30 June 2022 in relation to these performance rights was $16,879 (2021: $46,783)

e) The fair value of the FY20 Bonus performance rights of $365,000 was determined with reference to the share price on the grant dates of $0.60 and $0.76 respectively. The options vesting conditions are limited to service. With the majority of the remaining shares, after forfeit vesting on the sale of Finsure, the balance of the fair value of the grant has been recognised in profit and loss for the year ended 30 June 2022 in relation to these performance rights being $97,518 (2021: $75,482).

f) The fair value of the FY21 Transformational LTI (TLTIP) of $3,213,375 has been measured using a combination of the Monte Carlo simulation and Binomial Tree. The inputs used in the measurement of the fair values at grant date of the TLTIP performance rights are summarised below.

The key terms and conditions related to the grants under the TLTIP are as follows; all performance rights are to be settled by the physical delivery of shares.

The inputs used in the measurement of the fair values at grant date of the TLTIP performance rights were as follows:

Fair value at grant date	$0.275 to $0.770
Share price at grant date	$0.77
Exercise price	Nil
Expected volatility	40.0%
Expected dividends	Nil
Risk free interest rate (based on government bonds)	0.18%

7. OTHER NOTES

7.5.2 Share-Based Payments (continued)

With the accelerated vesting conditions of all LTIs following the sale of Finsure, $592,814 of rights due to employees leaving the group were forfeited, $1,236,626 fair value of rights were terminated, and $1,383,935 of rights were exercised. The terminated and exercised elements of these rights were fully recognised in the profit and loss for the period ended 30 June 2022, being $2,620,561.

g) The fair value of the FY21 Bonus performance rights (1 September 2021) of $230,000 was determined with reference to the share price on the grant date of $0.80. The options vesting conditions are limited to service. For the rights that vested immediately, and the majority of the remaining shares, after forfeit vesting on the sale of Finsure, the balance remaining has been recognised in profit and loss for the year ended 30 June 2022 being $207,160.

Unlisted Options

On 1 October 2020, the Company issued 500,000 unlisted options to Bell Potter Securities Limited (BP). BP has been engaged to provide a broad range of corporate advisory services. On 1 December 2020, the Company issued a further 1,000,000 unlisted options to BP following receipt of shareholder approval at the Company's 2020 AGM.

At the reporting date all options remain unexercised.

The unlisted options were valued using the Black Scholes method using the following inputs:

	BP Options tranche 1	BP Options tranche 2	BP Options tranche 3
Grant date	1 October 2020	1 December 2020	1 December 2020
Number granted	500,000	500,000	500,000
Fair value at grant date	$0.20	$0.22	$0.17
Share price at grant date	$0.65	$0.76	$0.76
Exercise price	$0.75	$1.00	$1.25
Expected volatility	54%	53%	53%
Expiry date	1 October 2023	1 December 2023	1 December 2023
Expected dividends	-	-	-
Risk-free interest rate	0.25%	0.25%	0.25%

Accounting policy - recognition and measurement

The grant date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense with a corresponding increase in equity over the vesting period of the awards. The amount recognised is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the awards that meet the related service and non-market performance conditions at the vesting date.

7. OTHER NOTES

7.5.3 Transactions with KMP

The Company's policy for lending to Directors and management is that all loans are approved and deposits accepted on the same terms and conditions that applied to the general public for each class of loan or deposit. There are no loans that are impaired in relation to the loan balances with Directors or other KMPs.

The Company's policy for receiving deposits from KMP is that all transactions are approved and deposits accepted on the same terms and conditions that applied to the general public for each type of deposit.

	2022 $	2021 $
Total value of term and savings deposits from KMP at reporting date	26,239	3,644
Total interest paid/payable on deposits to KMP	45	-
Total value of loans to KMP at reporting date	478,784[1]	483,768
Total interest received/receivable on loans from KMP	19,345[1]	33,464

[1] Where applicable, data only up to 7 February 2022, the date of KMP leaving the group.

7.5.4 Transactions with other related parties

Other transactions between related parties include deposits from Director related entities or close family members of Directors, and other KMP. The Company's policy for receiving deposits from related parties is that all transactions are approved and deposits accepted on the same terms and conditions that applied to customers for each type of deposit. There are no benefits paid or payable to the close family members of the KMP.

7.5.5 Related party transactions with director related entities (continued)

Mr John Kolenda is Chairman and major shareholder of Aura Group Holdings Pte Ltd and its controlled entities (Aura Group). The Group's subsidiary, Finsure Holding Pty Ltd has a sub-lease agreement with Aura Group and in addition pays/recoups a number of shared costs relating to the tenancy and certain employees.

	2022 $	2021 $
Sub-lease income and other amounts recouped for services from Aura Group	281,996[1]	446,457

[1] Period covers 1 July 2021 to 7 February 2022.

During the period 1 July 2021 to 7 February 2022, the Group paid $27,500 to Shadow Charters Pty Ltd, a related entity of Mr John Kolenda for boat charter services (30 June 2021: $42,175).

7. OTHER NOTES

7.6 Auditor's remuneration

Auditors of the Group – KPMG

In AUD	2022 $	2021 $
Audit and review of the financial statements	510,185	335,716
Regulatory audit services	168,686	111,000
Total audit and assurance services	678,871	446,716
Accounting and tax opinions	28,463	25,047
Total advisory and other services	28,463	25,047
Total amounts paid/payable to KPMG	707,334	471,763

Pursuant to the Company's policy, the Chair of the Audit Committee approves non-audit services prior to their commencement. The Directors are satisfied the provision of non-audit services has complied with the auditor independence requirements in Australia.

7.7 Standby borrowing facilities

The Company has an overdraft facility of $10,000,000 (2021: $1,200,000) with CUSCAL Ltd which is secured by a cash deposit. As at 30 June 2022, the entire facility was unused (2021: $nil).

7.8 Commitments and contingencies

In thousands of AUD	2022 $	2021 $
(a) Capital expenditure	-	-
(b) Outstanding loan commitments		
Loans approved not advanced	30,496	13,861
Loan funds available for redraw	29,397	22,990
Unutilised overdraft limits	256	113
Total lending commitments	60,149	36,964
(c) Lease commitments		
Due not later than one month	32	123
Due later than one month and not later than three months	64	252
Due later than three months and not later than one year	297	1,082
Due more than one year but less than five years	637	2,253
Due more than five years	-	-
	1,030	3,710

The Group has obligations under the terms of these leases of its office premises for terms of up to 6 years, with options to extend the leases. Lease payments are payable in advance by equal monthly instalments due on the 1st day of each month.

As part of the Finsure sale, the share sale agreement (SSA) contains certain warranties and indemnities. The SSA contains warranties covering title, authority, the conduct of business, and a range of other matters. The warranties are supported by a general indemnity and a tax indemnity which are capped and time bound. BNK considers the warranties and the indemnities were entered into on market standard terms for a transaction such as the Finsure Transaction. The Group considers the possibility of any outflow to be remote and therefore no provision has been recognised in relation to the Finsure sale warranties.

7. OTHER NOTES

7.8 Commitments and contingencies (continued)

Accounting policy - recognition and measurement
Transactions are classified as contingent liabilities where the Group's obligations depend on uncertain future events and principally consist of obligations to third parties. Items are classified as commitments where the Company has irrevocably committed itself to future transactions. These transactions will either result in the recognition of an asset or liability in future periods.

7.9 Events subsequent to balance date

On 26 July 2022 a fully-franked special dividend of 34 cents per share, for a total distribution to shareholders of approximately $40 million, was paid.

BNK is proposing to distribute $60 million in proceeds from the sale of Finsure to its shareholders, by way of the above noted special dividend ($40m) and a capital return. Further information in relation to the planned capital return of approximately $20 million will be announced once regulatory approvals are obtained.

Dividend Declared after end of year

After the balance sheet date the following dividends were proposed and paid by the board of directors. The dividends have not been recognised as liabilities and there are no tax consequences.

In thousands of AUD	**Cents per share**	**$**	**Date of Payment**
Special	0.34	40,359	26 July 2022
Total		40,359	

The financial effect of these dividends have not been brought to account in the consolidated financial statements for the year ended 30 June 2022 and will be recognised in subsequent financial reports.

No other matters or circumstances of a material nature have arisen since the end of the financial year which in the opinion of the Directors significantly affected or may significantly affect the operations of the Company, the results of the operations or the state of affairs of the Group in future financial years.

8. ACCOUNTING POLICIES AND NEW STANDARDS

8.1 Change in accounting policy

There were no new material accounting standards that have significantly impacted the Group during the reporting period.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of BNK Banking Corporation Limited, I declare that:

1. In the opinion of the Directors:

   a. The consolidated financial statements and notes of BNK Banking Corporation Limited for the financial year ended 30 June 2022 are in accordance with the Corporations Act 2001, including:
      i. Giving a true and fair view of its financial position as at 30 June 2022 and performance for the financial year ended on that date;
      ii. Complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

   b. The Directors draw attention to Note 1.2(b) to the consolidated financial statements which include a statement of compliance with International Financial Reporting Standards.

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

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2022.

On behalf of the Board

Don Koch
Chairman

26 August 2022

Independent Auditor's Report

To the shareholders of BNK Banking Corporation Ltd

Report on the audits of the Financial Reports

Opinions

We have audited the consolidated ***Financial Report*** of BNK Banking Corporation Ltd (the Group Financial Report). We have also audited the Financial Report of BNK Banking Corporation Ltd (the Company Financial Report).

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

- giving a true and fair view of the ***Group's*** and ***Company's*** financial position as at 30 June 2022 and of their financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The respective ***Financial Reports*** of the Group and the Company comprise:

- Statements of financial position as at 30 June 2022
- Statements of profit or loss and other comprehensive income, Statements of changes in equity, and Statements of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of BNK Banking Corporation Ltd the ***Company*** and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinions

We conducted our audits in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group and Company in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audits of the Financial Reports in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements

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Key Audit Matters

The ***Key Audit Matters*** we identified for both the Group and Company are:

- Loans and Advances – Provision for credit losses

The additional ***Key Audit Matters*** we identified for the Group are:

- Carrying Value of Goodwill
- Net Present Value of future trail commission receivable and payable

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our respective audits of the Financial Reports of the current period.

These matters were addressed in the context of our audits of each of the Financial Reports as a whole, and in forming our opinions thereon, and we do not provide a separate opinion on these matters.

Loans and Advances – Provision for credit losses $1.8 million – Group and Company

Refer to Note 3.2 to the Group Financial Report and Company Financial Report

The key audit matter	How the matter was addressed in our audit

The provision for credit losses relating to loans and advances held at amortised costs is a key audit matter due to the:
• significance of the loans and advances balances; and
• the degree of complexity and judgement applied by the Group and Company in determining the expected credit loss (ECL) provisions, including post-model adjustments. The ECL model is reliant on numerous data inputs and assumptions including past historical data the Group and Company used to determine probabilities of default as well as incorporating forward-looking information reflecting potential future economic events. This involves significant judgement applied by the Group and Company and required by us in challenging these assumptions.
We exercised judgement to assess the ECL model's application of the requirements of AASB 9 Financial Instruments. This includes:
• the Group and Company's definition in determining what represents a significant increase in credit risk;
• the method used to estimate the probability of default, loss given default and exposure at default; and
• judgement around the impact of current economic
	Working with our credit specialists, our procedures included:
	• Assessed the appropriateness of the Group and Company's accounting policies against the requirements of the accounting standard, including the Group's definition of what represents a significant increase in credit risk.
	• Evaluated the Group and Company's processes and tested key controls such as:
	  ○ Review and approval by management of the reconciliation of historical loan portfolio data used in the ECL model to the gross balances recorded within the general ledger as well as the underlying core banking system;
	  ○ The assessment and approval by management of the ECL model and key assumptions used by the Group and Company.
	• Assessed the methodology used to estimate the probability of default, loss given default and exposure at default used in the ECL model, including relevant adjustments such as the impact of increasing interest rates and inflation on forward looking information, against the requirements in the accounting standards and our understanding of industry

conditions including increasing interest rates and inflation on forward looking information. We involved credit specialists to supplement our senior audit team members in assessing this key audit matter.	practice; • Tested the integrity of the ECL model, including the accuracy of the underlying calculations; • Tested a sample of key data elements used in determining the probability of default such as historical default rates to relevant source systems; • Challenged the assumptions for calculating the exposures at default used by the Group and Company to determine the loss given default as well as the assumptions for post-model adjustments. We did this by comparing the key assumptions to our understanding of the related loans and advances portfolio as well as the industry and markets the Group and Company operate in; • Compared the output of the ECL model and the post-model adjustments to the ECL provision recorded in the financial reports; and • Assessed the Group and Company's disclosures in the financial reports using our understanding obtained from our testing and against the requirements of the accounting standards.

Carrying Value of Goodwill $7.1 million – Group

Refer to Note 7.2 to the Group Financial Report

The key audit matter	How the matter was addressed in our audit

A key audit matter was the Group's annual testing of goodwill for impairment, required by AASB 136 *Impairment of Assets*, given the extent of judgement involved and the size of the balance (being 0.5% of total assets). We focused on the Group's determination of the identified Cash Generating Units ("CGUs") as well as the key assumptions the Group applied in their value in use ("VIU") model, including:
• Forecast cash flows, including growth rate;
• Terminal value growth rate; and
• Discount rate used.
 	
These assumptions are complicated in nature and vary according to the conditions and environment the Group is subject to from time to time. The assumptions are based on historical performance and
	Our procedures included:
	• Evaluated the Group's identification of the CGUs against the requirements of the accounting standards. We also compared the Group's assessment against our understanding of the operations of the Group's business and how independent cash flows were generated;
	• Worked with our valuation specialists to:
	  ○ consider the appropriateness of the VIU method applied by the Group to perform the annual test of goodwill for impairment against the requirements of the accounting standards
	  ○ assess the integrity of the VIU model

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forward-looking forecasts taking into account the Group's strategy, market conditions, current economic outlook, emerging regulatory changes and industry developments, making them judgemental in nature. The Group's modelling is sensitive to small changes in the discount rates and terminal value growth rates used. We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.	used, including testing the accuracy of the underlying calculations; ○ assessed the terminal value growth rate using our knowledge and experience of the Group and the industry it operates in; and ○ independently develop a discount rate range considered comparable using publicly available market data for comparable entities, adjusted by risk factors specific to the Group and the industry it operates in. • Considered the sensitivity of the models by varying key assumptions, such as discount rate and growth rates. We did this to identify those assumptions at higher risk of bias or inconsistency in application and to focus our further procedures; • Comparing the Group's forecast cash flows contained in the VIU model to Board approved forecasts; • Assessing the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the VIU model; • Challenged the Group's significant forecast cash flow and growth rate assumptions: ○ We compared key events to the Board approved plan and strategy. ○ We checked the consistency of the growth rates to the Group's stated plan and strategy, past performance of the Group, and our experience regarding the feasibility of these in the economic environment in which they operate. ○ We assessed market and regulatory impacts on the Group's key assumptions for indicators of bias and inconsistent application, using our knowledge and experience of the industry, the Group's performance and its operations. • Assessed the disclosures in the Group's financial report using our understanding obtained from our testing and against the requirements of the accounting standards.

Net Present Value of future trail commission receivable $21.0 million and payable $7.4 million – Group	
Refer to Note 4.4 to the Group Financial Report	
The key audit matter	**How the matter was addressed in our audit**

The Group's policy is to recognise:
• a contract asset representing the expected value of future trail commission receivable in accordance with AASB 15 *Revenue from Contracts with Customers;* and
• a corresponding trail commission payable representing the net present value of future trail commissions payable in accordance with AASB 9 *Financial Instruments*.
This is a key audit matter due to the complexity and the degree of judgement we use in assessing the Group's estimate of the value of trail commissions receivable and payable. Key assumptions in the estimate are:
• Discount rates ;
• Weighted average life of portfolio loans – there is a degree of estimation uncertainty in relation to the expected weighted average life continuing on the current trend of actual performance of the underlying portfolio.
We involved our valuation specialists in assessing this key audit matter.
	Our procedures included:
	• Assessed the appropriateness of the Group's accounting policy against the requirements of the accounting standard.
	• Understand the Group's processes and tested key controls such as the assessment and approval by management of assumptions used in the Group's Net Present Value (NPV) model for estimating the value of the trail commissions receivable and payable;
	• Assessed the extraction of loan data used in the Group's NPV model for completeness and accuracy by testing a sample of commission contract rates back to broker agreements;
	• Worked with our valuation specialists to:
	    ○ assess the appropriateness of the methodology adopted in the Group's NPV model across the trail commission portfolios against accepted industry practice and the requirements of the accounting standards;
	    ○ evaluate the discount rates against publicly available market data for comparable entities;
	    ○ assess the weighted average life of portfolio loans based on actual performance adjusted for expectations of future performance. We do this using our understanding of the underlying portfolio and the industry; and
	    ○ assess the integrity of the Group's NPV model including testing the accuracy of the underlying calculations.
	• Evaluated the sensitivity of the NPV model estimate by considering reasonably possible changes to the discount rate and weighted average life rates. We did this to identify those

	assumptions at higher risk of bias or inconsistency in application and to focus our further procedures; and • Assessed the disclosures in the Group's financial report using our understanding obtained from our testing and against the requirements of the accounting standards.

Other Information

Other Information is financial and non-financial information in BNK Banking Corporation Ltd's annual reporting which is provided in addition to the Financial Reports and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinions on the Financial Reports do not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audits of the Financial Reports, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Reports

The Directors are responsible for:

- preparing the Financial Reports that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audits of the Financial Reports

Our objective is:

- to obtain reasonable assurance about whether each of the Financial Reports as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinions.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 Report.

A further description of our responsibilities for the audits of the Financial Reports is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of BNK Banking Corporation Ltd for the year ended 30 June 2022, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 14 to 27 of the Directors' report for the year ended 30 June 2022.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

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Nicholas Buchanan

Partner

Sydney

26 August 2022

ADDITIONAL ASX INFORMATION

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 26 August 2022.

(a) Distribution of equity securities

Spread of holdings		Number of holders	Number of units	Percentage of total issued capital
1 -	1,000	153	82,097	0.069%
1,001 -	5,000	1,621	3,937,793	3.317%
5,001 -	10,000	118	968,020	0.815%
10,001 -	100,000	310	11,186,652	9.424%
100,001+		85	102,528,176	86.338%
TOTAL		**2,287**	**118,702,738**	**100%**

(b) Twenty largest holders of quoted equity securities

Rank	Shareholder	Number of units	Percentage of issued capital
1	SF Legacy Investments Limited	11,269,346	9.493%
2	1800homeloans Pty Ltd	7,832,149	6.598%
3	J P Morgan Nominees Australia	6,807,006	5.734%
4	HSBC Custody Nominees	5,654,157	4.763%
5	Resimac Limited	5,411,285	4.558%
6	Ng Capital Management Pte Ltd	5,139,571	4.329%
7	Resimac Limited	4,468,902	3.764%
8	Keybridge Capital Limited	4,102,750	3.456%
9	Daring Investments Pty Ltd	3,996,529	3.366%
10	Todlaw Pty ltd	3,935,000	3.315%
11	National Nominees Limited	3,408,165	2.871%
12	Carpe Diem Asset Management	2,430,190	2.047%
13	Koleet Pty Ltd	2,150,144	1.811%
14	Holding Corporation Pty Ltd	1,973,207	1.662%
15	Aoyin Group Limited	1,921,407	1.618%
16	Bond Street Custodians Limited	1,898,686	1.599%
17	Firstmac Limited	1,769,416	1.490%
18	Pyramid Capital Pty Ltd	1,581,969	1.332%
19	Citicorp Nominees Pty Limited	1,466,120	1.235%
20	Vanval Investments Pty Ltd	1,153,333	0.971%
			66.02%