

29 August 2024

**BNK Banking Corporation Limited – Full Year Final Report  
(Appendix 4E) for the year ended 30 June 2024**

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 2024 as follows:

**Results for announcement to the market**

<b>Extracted from the audited Financial Statements for the year ended</b>	<b>Movement</b>	<b>\$'000 30 June 2024</b>	<b>\$'000 30 June 2023</b>
Revenue from operations	48%	98,213	66,309
Profit/(loss) after tax attributable to members	(70%)	(6,701)	(3,935)
Profit/(loss) after tax attributable to Members (excl Impairment)	21%	(3,101)	(3,935)

No dividend was paid or declared by the Company in the period and up to the date of this report. The Directors do not recommend that any amount be paid by way of dividend, for the financial year ended 30 June 2024.

No dividends were paid or declared by the Company in respect of the previous year.

	<b>30 June 2024</b>	<b>30 June 2023</b>
Net Tangible Assets per share	\$0.99	\$1.02

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 29 August 2024.

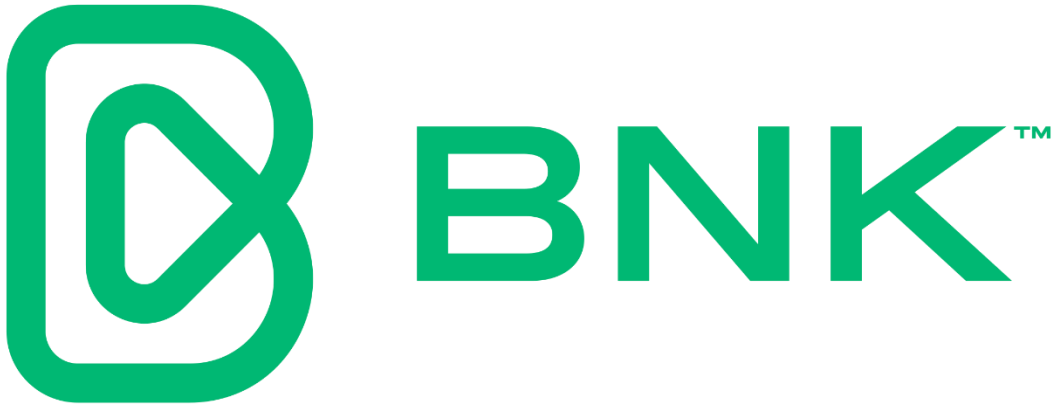
There were no subsidiaries were disposed of during the year ended 30 June 2024.

Further information regarding BNK Banking Corporation Limited and its business activities can be obtained by visiting the Company's website at [bnk.com.au](http://bnk.com.au)

Yours faithfully



Jenny Spicer  
Company Secretary



BNK Banking Corporation Limited  
Annual Financial Report

ABN: 63 087 651 849

**30 June 2024**

## Contents

CORPORATE INFORMATION.....	3
MESSAGE FROM OUR CHAIRMAN, JON DENOVA.....	4
DIRECTORS' REPORT .....	6
REMUNERATION REPORT (AUDITED) .....	13
INDEPENDENT AUDITOR'S DECLARATION .....	22
STATEMENTS OF FINANCIAL POSITION .....	23
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME.....	24
STATEMENTS OF CHANGES IN EQUITY .....	25
STATEMENTS OF CASH FLOWS .....	27
NOTES TO THE FINANCIAL REPORT.....	28
CONSOLIDATED ENTITY DISCLOSURE STATEMENT .....	75
DIRECTORS' DECLARATION.....	76
INDEPENDENT AUDITOR'S REPORT .....	77
ADDITIONAL ASX INFORMATION .....	81

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## **CORPORATE INFORMATION**

**ACN:** 087 651 849

### **Directors**

Mr. Jon Denovan	(Chairman and Non-Executive Director)
Ms. Elizabeth Aris	(Independent, Non-Executive Director)
Mr. Calvin Ng	(Independent, Non-Executive Director)
Mr. David Gration	(Non-independent, Non-Executive Director)
Mr. Warren McLeland	(Non-Independent Non-Executive Director)

### **Company Secretary**

Ms Jenny Spicer

### **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:**

Gold Coast Office  
Level 5, 50 Cavill Avenue  
Surfers Paradise Qld 4217

Sydney Office  
Suite 11.01, Level 11, 9 Castlereagh Street  
Sydney NSW 2000

### **Share Registry:**

Automatic Group  
Level 5, 126 Phillip Street  
Sydney NSW 2000  
Tel +61 2 9698 5414  
Tel 1300 288 664

### **Exchange Listing**

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

### **Auditors:**

Grant Thornton Audit Pty Ltd  
Level 17  
383 Kent Street  
Sydney NSW 2000

### **Website Address:**

[www.bnk.com.au](http://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/>

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**MESSAGE FROM OUR CHAIRMAN, JON DENOVAN**



Dear Shareholder,

During the 2024 Financial Year, BNK delivered a second half underlying NPAT profit. The shift away from competitive, low margin assets, into higher margin products is beginning to bear fruit with the annual volumes exceeding targets in this asset class during FY24.

The success of this transition is clear to see when comparing results from the second half of FY24 compared to the previous 6 months. The business has largely laid the platform for continued profitability and the shift in strategic direction is bringing positive results with it.

**FY24 Results**

Whilst we delivered a statutory loss for the year, with the inclusion of a \$3.6m write-down of goodwill, our underlying performance was a 40% improvement over FY23 with a reduced loss of \$0.9m. Crucially the bank achieved underlying profit in 2HFY24 of \$269,000. This significant milestone was achieved whilst focusing more on loan book composition rather than headline portfolio growth, again demonstrating the success of a focus on higher margin assets.

BNK's Capital Adequacy ratio has increased to 23.4% up from 22.8% in June 23, largely due to a deliberate strategy to withdraw from competing for low margin prime residential loans and allowing some run-off and consequential reduction in RWA attaching to this book. This is a very healthy capital position and will facilitate BNK's ambitions over FY25.

Over the year deposits increased by 1.5%, total assets grew by 2.7% and the off-balance sheet lending portfolio also grew by 1.5%. This modest increases, by historical standards for BNK, reflect the focus on portfolio composition rather than a pursuit of outright volume growth.

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

**Significant Achievements Across the Business**

The past 12 months have seen BNK achieve and exceed many of its objectives in FY24.

Importantly, the strategic decision to expand the business into the higher margin lending space continued its momentum, again exceeding the higher margin asset target for the year and reaching a \$257m portfolio.

The business also re-invigorated our Ultimate product range (funded by Goldman Sachs) with 2H24 monthly settlement records achieved.

BNK also introduced Bank Guarantees in partnership with Assuro during the year, leading to positive business growth and contributing to profitability.

We successfully expanded the Bendigo and Adelaide Bank Prime warehouse facility from \$250m to \$300m to enhance liquidity management and replaced Mezzanine and Junior Note holders within the facility to reduce our cost of funds.

Operationally, the business launched the first stage of the BNK branded Commercial loans for new business as part of the group brand transformation strategy.

BNK's growth has been achieved whilst maintaining strong underlying portfolio dynamics, with high quality customers, arrears rates that are within tolerance and a strong capital adequacy ratio of 23.4%.

We have also laid some foundations for the upgrade of our technology platform that will enable BNK to offer a wide range of low-cost digital product offerings when complete. We expect the build to continue across the majority of FY25.

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**CHAIRMAN'S MESSAGE CONTINUED**

**Board Changes**

During the financial year the BNK board farewelled Don Koch. Mr Koch was appointed to the Board on 11 June 2019 and became Chairman of the Group on 7 July 2021. He stood down as Chairman on 18 September 2023 and retired from the Board on 11 December 2023. I thank Mr Koch for his dedication and service to the growth of BNK and wish him the best in the future.

During November 2023 the board also farewelled Non-Executive Director Daniel Crennan. I also would like to extend my thanks to Mr Crennan for his contribution to the business.

In December the board welcomed highly experienced industry expert, Warren McLeland to the BNK Board. We Look forward to Mr McLeland's continued contributions and expertise in helping to guide the business through its next period of success.

**Summary**

The results of FY24 (particularly those results achieved in the second half of FY24) demonstrated that BNK is committed to executing its strategy and delivering on its key business targets.

We successfully embarked on a journey of business transformation towards higher margin returns and opportunity - ultimately emerging with a business that posted underlying profitability in the second half.

Our growth trajectory is now on a path to deliver sustainable profitability as well as improved operational efficiencies and customer experience.

**Thank You**

On behalf of the Board and the Executive team we would like to thank our people for their efforts and dedication through the year, our customers and our shareholders for their continuing support.

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## 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 2024 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.

Mr Jon Denovan	Chairman and Non-Executive Director
Ms Elizabeth Aris	Non-Executive Director
Mr Calvin Ng	Non-Executive Director
Mr David Gration	Non-Executive Director
Mr Warren McLeland	Non-Executive Director (appointed 11 December 2023)
Mr Don Koch	Non-Executive Director (retired 11 December 2023)
Ms Michelle Guthrie	Non-Executive Director (resigned 31 July 2023)
Mr Daniel Crennan	Non-Executive Director (resigned 29 November 2023)

## CURRENT DIRECTORS

### Jon Denovan (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 Dentons having previously been the Managing Director/Partner of that firm (then known as Gadens Lawyers Australia Limited).

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

Mr Denovan was appointed Chairman of the BNK Board on 18<sup>th</sup> September 2023. He is also chair of Sydney Bus Museum, and a director of 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 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, as well as being Chairman of the BNK Board, is also a member of the Audit Committee, the Risk & Compliance Committee and the 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 previously 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.

Ms Aris 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).

During the last four years, Ms Aris has served on the Board of Vivid Technology Limited (Non-Executive Director from October 2018 to July 2019), and EP&T Global from March 2024.

Ms Aris is the Chair of both the Audit Committee and the Remuneration Committee

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**DIRECTORS' REPORT (continued)**

**Calvin Ng (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 managing and advising over A\$1.4b in assets. He was also a co-founder of Finsure, which merged with Goldfields Money Limited in 2018 to form BNK. Finsure was sold in 2022 to MA Financial Group for \$152m. 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 four years:

- Aura FAT Projects Acquisition Corp (Non-Executive Director from April 2022 to current)

Mr Ng is Chair of the Risk and Compliance Committee and a member of the Remuneration Committee.

**David Gratton (Non independent Non-Executive Director)**

Mr Gratton was appointed a Director on 27 April 2023.

Mr Gratton is a highly experienced financial services executive with over 30 years of retail banking experience, including senior management roles at National Australia Bank, Suncorp and Firstmac Limited. Mr Gratton was a senior member of the Firstmac executive team for over 10 years with his last executive role being General Manager, Sales and Operations.

Mr Gratton has Law and Science degrees from Monash University and a Diploma in Financial Planning. Mr Gratton is a Director of Firstmac Limited.

Mr Gratton is Chair of the Board Credit Committee and a member of both the Remuneration Committee and the Risk and Compliance Committee.

**Warren McLeland (Non independent Non-Executive Director)**

Mr McLeland was appointed a Director on 11 December 2023.

Mr McLeland is a former stockbroker and investment banker with over 35 years of experience in domestic and international financial services. He acts as an adviser in funds management and business strategy to companies operating in the Asia Pacific region. Mr McLeland is the current Non-Executive Chairman of Resimac Group Limited (ASX: RMC) and was formally the Executive Chairman of the Resimac Board. Mr McLeland was chair of the Thorn Group Australia for four years up until January 2024.

Mr McLeland is a member of both the Audit Committee and the Board Credit Committee.

**FORMER DIRECTORS**

**Don Koch (Previous Independent Chairman and Non-Executive Director)**

Mr Koch was appointed to the Board on 11 June 2019 and became Chairman of the Group on 7 July 2021. He stood down as Chairman on 18<sup>th</sup> September 2023 and retired from the Board on 11 December 2023).

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.

**Daniel Crennan (Previous Non-Executive Director)**

Mr Crennan was appointed a Director on 14 October 2022 and ceased to be a Director on 29 November 2023.

Mr Crennan was a barrister at the Victorian Bar including as a Queen's Counsel for 16 years until 2018. His areas of expertise included Banking and Finance, Continuous Disclosure and Markets. Mr Crennan was a director of a number of publicly listed and private companies prior to 2018.

Mr Crennan commenced as Deputy Chair and Head of Enforcement at the Australian Securities and Investments Commission in July 2018. He remained in that position until late 2020.

Since mid-2021, Mr Crennan has been the principal consultant at Credi Consulting, a boutique consulting firm specialising in strategic advice to participants in the financial system.



**DIRECTORS' REPORT (continued)**

**Michelle Guthrie (Previous Executive Director)**

Ms Guthrie was appointed a Director on 15 July 2021 and ceased to be a Director on 31 July 2023.

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).

**COMPANY SECRETARY**

**Jenny Spicer**

Ms Spicer was appointed as Company Secretary on 19 July 2024 and is a lawyer with over 20 years of experience both in private practice and as in-house counsel. Prior to joining BNK Bank, Ms Spicer was Senior Legal Counsel and Company Secretary for an Australian digital lender affiliated with ANZ Bank. Ms Spicer brings considerable experience in corporate governance, banking and finance, commercial law, risk management, and regulatory compliance.

**Danny Davies**

Mr Davies was the previous Company Secretary on 18 September 2023 and resigned 20 July 2024.

**Sophie Raven**

Ms Raven was the previous Company Secretary from 4 May 2023 until 17 September 2023.

**PRINCIPAL ACTIVITIES**

The principal activities of the Group were the provision of retail and commercial banking and mortgage management.

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**DIRECTORS' REPORT (continued)**

**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 made to reflect a management reported basis of the underlying performance of the business, unless otherwise stated. These adjustments are made where the Directors believe non-recurring transactions within each reporting period may distort the comparison results within the Group's standard operating environment. 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:

	FY24	FY23	% change
<b>Statutory Net (Loss) After Tax (\$'000s)</b>	<b>(6,701)</b>	<b>(3,935)</b>	<b>(70.3%)</b>
Expense adjustments			
• CBS Replacement Project implementation costs	199	-	
• Impairment of Goodwill	3,600		
• APRA Infringement Penalty	-	248	
Non-Cash Elements			
• Movement in Contract Assets/Contract Liabilities	2,940	2,750	
Tax effect of adjustments	(955)	(594)	
<b>Underlying earnings (key metric below)</b>	<b>(917)</b>	<b><sup>1</sup>(1,531)</b>	<b>40.1%</b>

The adjustments summarised above reflect the current year (FY24) impact of:

- Core Banking System Replacement Project implementation costs
- Impairment of Goodwill

<sup>1</sup> Restated comparable FY23 to no longer include Depreciation in non-cash elements.

Adjustments for the prior year (FY23) reflect the impact of:

- The infringement penalty imposed by APRA.

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

Key Metric Amounts in thousands of AUD	30 June 2024 (\$'000s)	30 June 2023 (\$'000s)	Movement
<b>Net interest revenue</b>	19,290	18,808	2.6%
<b>Net-commission (expense)/income</b>	(5,223)	(3,712)	(40.7%)
<b>Non-interest revenue/(expense)</b>	3,368	3,913	(13.9%)
<b>Statutory net (loss)/profit after tax</b>	(6,701)	(3,935)	(70.3%)
<b>Underlying earnings (adjusted for tax)</b>	(917)	(1,531)	40.1%
<b>Total assets</b>	1,724,910	1,679,790	2.7%
<b>On balance sheet loans (net ECL)</b>	1,369,167	1,348,691	1.5%
<b>Off balance sheet lending portfolio</b>	1,078,774	1,138,167	(5.2%)
<b>Deposits</b>	1,270,643	1,252,260	1.5%
<b>Other key metrics</b>			
<b>Net interest margin (average)</b>	1.06%	1.15%	(9 bps)
<b>Cost to income ratio (underlying earnings)</b>	<sup>1</sup> 105.0%	105.0%	-
<b>Capital adequacy ratio</b>	23.36%	22.84%	52 bps

<sup>1</sup> Cost to income ratio in the table is based on underlying earnings elements. On a statutory basis the C:I ratio for FY24 is 125.11% (FY23: 121.6%).

## **DIRECTORS' REPORT (continued)**

### **OPERATING AND FINANCIAL REVIEW**

The Group recorded a net loss after tax for the year ended 30 June 2024 of \$6.7m (2023: loss of \$3.9m). Underlying earnings of (\$0.9m) against 2023 (\$1.5m) represent a continuation towards sustainable underlying profitability for the Group, with each of the last 4 months generating positive underlying earnings. Earnings per share for 30 June 2024 is (5.64c) (2023: (3.32c)).

#### **Settlements and loan-book growth**

The Group increased on balance sheet loans by 2% year on year. This was consistent with the strategic move to higher margin lending. Deposit growth of 2% resulted in a deposit to loan ratio of 92%.

As at 30 June 2024, the Bullion Trust warehouse loan book was \$293.8m. The warehouse further diversifies the Group's funding sources in a capital efficient manner. Loans held in the warehouse are accounted for on balance sheet, but the Group receives regulatory capital relief for the structure.

In March 2024, the Group purchased \$80.1m, as a second tranche of residential home loans from the Goldman Sachs warehouse at par value plus a premium of 1.72%. The premium (\$1.4m) is amortised over the expected weighted average life of the portfolio (4.6 years).

The Group continues to provide origination and management services to the Goldman Sachs warehouse. This lending book is \$171.8m as at 30 June 2024 following the second sale to BNK in March 2024 as noted above, and following the portfolio sold to Challenger life in FY23 for \$198.6m and the first sale to BNK of \$150.6m in March 2023. The warehouse leverages the Groups specialist lending capabilities. Loans originated into the warehouse are not recognised on balance sheet. BNK receives servicing, origination and management fees and a post term out profit share.

Following the Group's strategic move to focus on higher margin lending, the Group's total lending settlements reached \$548.2m. On balance sheet settlements of \$331.1m (for directly funded loans) represented a 32% decrease on the comparative year.

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.

#### **Sound credit quality**

The loan book comprises 96% residential mortgages with an average loan to valuation ratio of 55.8%. Credit quality remains sound with loans more than 90 days in arrears equating to 1.30% of total on balance sheet loans. No credit write-offs occurred in the year.

#### **Cash and 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 the Asset & Liability Committee (ALCO), which ensures the Group operates within its policy settings. Cash and cash equivalents have remained stable throughout the year and at 30 June 2024 totaled \$118.4m.

#### **Income**

Total income decreased by 8.3% to \$17.4m, comprising a \$0.5m (2.6%) increase in Net Interest Income, offset by a decline in fee and other income of \$2.1m.

#### **Operating expenses**

The Group operating expenses (excluding goodwill impairment) decreased by 6.5% to \$21.6m.

#### **Capital**

The CAR at 30 June 2024 of 23.36% presents the Group with further growth opportunity for both on-balance sheet lending assets as well as investing in growth.

No additional capital was issued during the financial year.

**DIRECTORS' REPORT (continued)**

**DIVIDENDS**

No dividends were paid or proposed during the year.

**INTEREST IN SHARES AND OPTIONS OF THE COMPANY**

As at the date of this report, the Directors hold shares in 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
Jon Denovan	-	-
Elizabeth Aris	10,000	-
Calvin Ng	4,894,454	-
David Gration	-	-
Warren McLeland	-	-

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	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
J Denovan	<sup>1</sup> 12	11	4	3	4	4	0	<sup>2</sup> 1	1	1
E Aris	<sup>1</sup> 12	12	4	4	-	-	1	1	-	-
C Ng	11	11	-	-	3	3	1	1	-	-
D Gration	11	10	0	<sup>2</sup> 2	3	2	1	1	1	1
W McLeland	6	5	2	2	-	-	-	-	1	1
D Koch	5	5	2	1	1	1	-	-	-	-
M Guthrie	5	2	-	-	1	-	-	-	-	-
D Crennan	1	1	-	-	-	-	-	-	-	-

<sup>1</sup>Included special purpose Board meeting with delegated attendance only

<sup>2</sup>Attended meeting as a guest

**CHANGES IN THE STATE OF AFFAIRS**

In the opinion of the Directors, there were no 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**

In the opinion of the Directors, there have been no other matters arising in the period between the end of the financial year and the date of this report that is likely to significantly affect the operations of the Group.

**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.

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**DIRECTORS' REPORT (continued)**

**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.

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

in the financial years subsequent to this financial year.

**AUDIT SERVICES**

Details of the amounts paid or payable to the auditor of the Company, Grant Thornton Audit Pty Limited for audit and non-audit services for the year ended 30 June 2024 are disclosed in note 7.6 Auditor remuneration.

The company may decide to employ the auditor on assignments additional to the statutory audit duties where the auditors expertise and experience with the company and/or the group are important.

The directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

**AUDITORS INDEPENDENCE DECLARATION**

The lead auditor's independence declaration provided in accordance with S307C of the Corporations Act 2001 is set out on page 22 and forms part of the Directors' report for the financial year ended 30 June 2024.

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.

**DECLARATION BY CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER**

The Chief Executive Officer and the Chief Financial Officer have provided the required declarations to the Board in accordance with section 295A of the Corporations Act 2001 and recommendation 4.2 of the ASX Corporate Governance Principles and Recommendations in relation to the financial records and financial statements for the year ended 30 June 2024.

To support the declaration, formal risk management and financial statement due diligence and verification processes were undertaken. This assurance is provided every six months in conjunction with the Bank's half year and full year financial reporting obligations. The financial statements are made on the basis that they provide a reasonable but not absolute level of assurance and do not imply a guarantee against adverse circumstances that may arise in future periods.

In accordance with the Corporations Act 2001, The Chief Executive Officer and the Chief Financial Officer also declare that the consolidated entity disclosure statement is true and correct at the 30<sup>th</sup> June 2024.

**DIRECTORS' REPORT (continued)**

**REMUNERATION REPORT (AUDITED)**

This Remuneration Report for the year ended 30 June 2024 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 2024 (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 and other transactions to key management personnel and their related parties
9. 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 2024:

**Non-Executives**

<b>Director</b>	<b>Position</b>	<b>Appointment date</b>	<b>Resignation/ completion date</b>
Jon Denovan	Non-Executive Director/Chairman	2 September 2019	-
Elizabeth Aris	Non-Executive Director	18 June 2021	-
Calvin Ng	Non-Executive Director	15 July 2021	-
David Gration	Non-Executive Director	27 April 2023	-
Warren McLeland	Non-Executive Director	11 December 2023	-
Don Koch	Non-Executive Director	11 June 2019	11 December 2023
Michelle Guthrie	Non-Executive Director	15 July 2021	31 July 2023
Daniel Crennan	Non-Executive Director	14 October 2022	29 November 2023

**Executives**

<b>Executive</b>	<b>Position</b>	<b>Appointment date</b>	<b>Resignation/ completion date</b>
Allan Savins	Chief Executive Officer	17 January 2022	-
Andrew Kitchen	Chief Financial Officer	26 October 2020	15 September 2023
Dara Wettner	Chief Risk Officer	11 January 2021	-
Andrew Bell	Chief Information Officer	11 May 2023	11 October 2024
Stephen Kinsella	Chief Financial Officer	1 November 2023	-
David Thorn	Chief Operating Officer	26 February 2024	-

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**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), two being independent and one non-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 Officer 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 2024.

**Remuneration Report approval at 2023 Annual General Meeting (AGM)**

The 2023 Remuneration Report received positive shareholder support at the 2023 AGM with a vote of 99.85%.

**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-calibre 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) <sup>1</sup>	Performance rights.	Rewards executives for their contribution to the creation of shareholder value over the longer term.	Performance is measured against documented market outcomes over a specified period (eg 3 years).

<sup>1</sup> LTI scheme ceased to be active in February 2022 following the sale of Finsure from the Group

**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 and cash incentives are awarded in accordance with the requirements of the Financial Accountability Regime (FAR) and before March 2024 (when FAR was introduced) the Banking Executive Accounting Regime (BEAR). FAR and BEAR establish clear and heightened expectations of accountability for directors and executives of Authorised Deposit-taking Institutions, to ensure there are clear consequences in the event of a material failure to meet those expectations. BEAR (applicable from 1 July 2019), and FAR (applicable from 15 March 2024) 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.

**Long-term incentive (LTI)**

The previous LTI Plan was concluded following the sale of Finsure from the Group in February 2022. At that time all remaining Performance rights were either modified for release (as noted in the 2022 Annual report) or held awaiting vesting criteria to be reached.

**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 LTI grant performance period. These unvested benefits only vest subject to meeting the relevant LTI performance measures, subject to the Board's discretion.

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**DIRECTORS' REPORT (continued)**

**REMUNERATION REPORT (AUDITED) (continued)**

**3.3 Detail of incentive plans (continued)**

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.

**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 2024 (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:

	2024	2023	2022	2021	2020
Profit/(loss)	(6,701,124) <sup>2</sup>	(3,934,654)	59,787,040	5,659,000	3,824,000
Underlying NPAT	(917,379)	(1,531,109)	(2,146,368)	2,121,179	1,444,642
Dividends paid	Nil	40,358,931	Nil	Nil	Nil
Share price at balance date	\$0.345	\$0.485	\$0.96	\$0.735	\$0.43
Return on capital employed	(5.5%) <sup>2</sup>	(3.1%)	31.4% <sup>1</sup>	4.42%	3.50%

<sup>1</sup> 2022 ROCE for continuing operations equates to (10.48%)

<sup>2</sup> 2024 Profit/(loss) includes Goodwill impairment of \$3.6m. Adjusting for impairment FY24 ROCE (2.5%)

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.

**4.2 Dividends**

During the reporting period, no dividends were paid by the Company.

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**DIRECTORS' REPORT (continued)**

**REMUNERATION REPORT (AUDITED)**

**4.3 Remuneration of key management personnel**

	Year	Short-term benefits				Post-employment	Other long term		Term-ination	Total	Performance related
		Salary & fees	Cash bonus	Non-cash benefits (A)	Total	Super-annuation	Long service leave	Cash bonus			
		\$	\$	\$	\$	\$	\$	\$	\$	\$	%
<b>Current Executives</b>											
Allan Savins	<b>2024</b>	<b>486,553</b>	-	-	<b>486,553</b>	<b>27,500</b>	<b>3,254</b>	<b>102,500</b>	-	<b>619,806</b>	<b>17%</b>
	2023	529,716	-	-	529,716	27,500	61,938	100,000	-	719,154	14%
Stephen Kinsella <sup>1</sup>	<b>2024</b>	<b>242,683</b>	-	-	<b>242,683</b>	<b>19,326</b>	<b>104</b>	-	-	<b>262,113</b>	<b>0%</b>
	2023	-	-	-	-	-	-	-	-	-	-
Dara Wettner	<b>2024</b>	<b>299,293</b>	-	-	<b>299,293</b>	<b>27,500</b>	<b>4,467</b>	<b>61,425</b>	-	<b>392,685</b>	<b>16%</b>
	2023	275,878	-	-	275,878	27,500	193	27,789	-	331,360	8%
Andrew Bell <sup>2</sup>	<b>2024</b>	<b>328,531</b>	-	-	<b>328,531</b>	<b>27,399</b>	<b>328</b>	-	-	<b>356,258</b>	<b>0%</b>
	2023	41,293	-	-	41,293	3,998	3	-	-	45,294	0%
David Thorn <sup>3</sup>	<b>2024</b>	<b>93,405</b>	-	-	<b>93,405</b>	<b>8,990</b>	<b>234</b>	-	-	<b>102,629</b>	<b>0%</b>
	2023	-	-	-	-	-	-	-	-	-	0%
<b>Former Executives</b>											
Andrew Kitchen <sup>4</sup>	<b>2024</b>	<b>77,885</b>	-	-	<b>77,885</b>	<b>6,875</b>	-	<b>3,731</b>	<b>131,250</b>	<b>219,741</b>	<b>2%</b>
	2023	329,336	-	10,000	339,336	27,500	226	33,583	-	400,645	8%
<b>Total KMP remuneration</b>	<b>2024</b>	<b>1,528,349</b>	-	-	<b>1,528,349</b>	<b>117,591</b>	<b>8,387</b>	<b>167,656</b>	<b>131,250</b>	<b>1,953,233</b>	<b>9%</b>
	2023	1,176,223	-	10,000	1,186,223	86,498	62,360	161,372	-	1,496,453	11%

<sup>1</sup> Appointed Chief Financial Officer from 1 November 2023

<sup>2</sup> Appointed Chief Information Officer from 11 May 2023 (resigned effective 11 October 2024)

<sup>3</sup> Appointed Chief Operating Officer from 26 February 2024

<sup>4</sup> Appointed Chief Financial Officer from 26 October 2020 and resigned 15<sup>th</sup> September 2023

(A) – Non-cash benefits generally comprise car parking benefits

Only KMPs employed during the current reporting period have been included in the comparable data for FY2023 as required under the Corporations Act.

**DIRECTORS' REPORT (continued)**

**REMUNERATION REPORT (AUDITED)**

**4.4 Analysis of cash bonuses included in remuneration – audited**

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

	Included in remuneration
Allan Savins	\$102,500
Dara Wettner	\$61,425

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 7 September 2023. 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.

**4.5 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).

**4.5.1 Rights over equity instruments granted as compensation – audited**

During the reporting period no rights over ordinary shares in the Company were granted as remuneration to key management personnel.

**4.5.2 Performance rights granted**

During the reporting period no performance rights were granted to key management personnel.

**4.5.3 Details of equity incentives affecting current and future remuneration – audited**

Details of the vesting profiles of the performance rights held by current and former executives of the Group are detailed below:

Participant	Number	Grant date	% vested FY24	% forfeited FY24	Financial years in which grant Vests
Allan Savins	40,000	28 August 2020	0%	0%	2025
	35,273	18 August 2021	0%	0%	2025 <sup>1</sup>
	20,625	1 September 2021	0%	0%	2026
Andrew Kitchen	30,510	18 August 2021	0%	0%	2025 <sup>1</sup>
Dara Wettner	25,425	18 August 2021	0%	0%	2025 <sup>1</sup>
	5,000	1 September 2021	0%	0%	2026
Amber Smith	23,272	18 August 2021	0%	0%	2025 <sup>1</sup>

<sup>1</sup> Performance Rights vested during FY2022 but are held in Escrow until FY2025.

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**DIRECTORS' REPORT (continued)**

**REMUNERATION REPORT (AUDITED)**

**4.5.4 Analysis of movements in equity instruments – audited**

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

*Current key management personnel*

Participant	Granted in year \$ (A)	Value of rights exercised in year \$ (B)
NIL	-	-

(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.

During FY24, there were no performance rights granted or exercised.

**4.5.5 Summary of performance rights holdings**

*Current key management personnel*

Participant	Held at 1 July 2023	Granted as remuneration	Exercised	Lapsed	Held at 30 June 2024	Vested during the year	Vested and unexercisable at 30 June 2024
Allan Savins	60,625	-	-	-	60,625	-	-
Dara Wettner	5,000	-	-	-	5,000	-	-

**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
Allan Savins	\$500,000 plus superannuation	None	Continuing with 3 month notice by either party
Stephen Kinsella	\$350,000 plus superannuation	None	Continuing with 3 months' notice by either party
Dara Wettner	\$300,000 plus superannuation	None	Continuing with 3 months' notice by either party
Andrew Bell	\$320,000 plus superannuation	None	Continuing with 3 months' notice by either party
David Thorn	\$250,000 plus superannuation	None	Continuing with 3 months' notice by either party

**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.

**DIRECTORS' REPORT (continued)**

**REMUNERATION REPORT (AUDITED)**

**6. Non-executive director remuneration arrangements – Audited (Continued)**

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 2024:

Type of Fee	Amount per annum (1 July to 30 November 2023)	Amount per annum (1 December 2023 to 30 June 2024)
Chairman base fee	\$110,500	\$130,000
Non-executive Director base fee	\$59,500	\$70,000
Chair of Board sub-committees	\$8,500 per committee	\$10,000 per committee
Membership of Board sub-committees	\$4,250 per committee	\$5,000 per committee

NEDs receive superannuation contributions of 11.0% (11.5% from 1 July 2024) of earnings but do not receive any other retirement benefits, nor do they participate in any incentive programs.

In April 2023, it was resolved that Director Fees would reduce by 15% for the period May 2023 to November 2023. From 1 December 2023 the Director fees returned to the previous structure as noted above.

The remuneration of NEDs for the years ended 30 June 2024 and 30 June 2023 is detailed in table below.

		Short-term benefits			Post-employment	Long-term benefits	Total
		Salary & fees \$	Non-monetary benefits	Other	Superannuation	Long service leave	
<b>Non-executive directors</b>							
Jon Denovan <sup>1</sup>	<b>2024</b>	<b>126,338</b>	-	-	<b>13,897</b>	-	<b>140,235</b>
	2023	87,750	-	-	9,214	-	96,964
Elizabeth Aris	<b>2024</b>	<b>84,794</b>	-	-	<b>9,327</b>	-	<b>94,121</b>
	2023	82,750	-	-	8,689	-	91,439
Calvin Ng	<b>2024</b>	<b>75,679</b>	-	-	<b>8,325</b>	-	<b>84,004</b>
	2023	68,250	-	-	7,166	-	75,416
David Gratton <sup>2</sup>	<b>2024</b>	<b>80,994</b>	-	-	<b>8,909</b>	-	<b>89,903</b>
	2023	10,625	-	-	1,116	-	11,741
Warren McLeland <sup>3</sup>	<b>2024</b>	<b>44,762</b>	-	-	<b>4,924</b>	-	<b>49,686</b>
<b>Former directors</b>							
Don Koch <sup>4</sup>	<b>2024</b>	<b>44,832</b>	-	-	<b>4,932</b>	-	<b>49,764</b>
	2023	151,125	-	-	15,868	-	166,993
Michelle Guthrie <sup>5</sup>	<b>2024</b>	<b>5,313</b>	-	-	<b>584</b>	-	<b>5,897</b>
	2023	68,958	-	-	7,240	-	76,198
Daniel Crennan <sup>6</sup>	<b>2024</b>	<b>27,045</b>	-	-	<b>2,975</b>	-	<b>30,020</b>
	2023	54,389	-	-	5,711	-	60,100
<b>Total</b>	<b>2024</b>	<b>489,757</b>	-	-	<b>53,873</b>	-	<b>543,630</b>
	2023	480,083	-	-	50,409	-	530,492

<sup>1</sup> Jon Denovan was appointed Chairman 18 September 2023

<sup>2</sup> David Gratton was appointed 27 April 2023

<sup>3</sup> Warren McLeland was appointed 11 December 2023

<sup>4</sup> Don Koch Retired 11 December 2023

<sup>5</sup> Michelle Guthrie as appointed 15 July 2021 and resigned 31 July 2023

<sup>6</sup> Daniel Crennan was appointed 14 October 2022 and resigned 29 November 2023

Only Directors employed during the current reporting period have been included in the comparable data for FY2023 as required under the Corporations Act.

**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**

2024	Balance at the start of the year or commencement date	Acquired	Other movement	Balance at the end of the year or date of resignation
<b>Directors</b>				
Jon Denovan	-	-	-	-
Elizabeth Aris	10,000	-	-	10,000
Calvin Ng	4,894,454	-	-	4,894,454
David Gration	-	-	-	-
Warren McLeland	-	-	-	-

2024	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
<b>Executives</b>				
Allan Savins	1,554,950	-	(74,292)	1,480,658
Dara Wettner	25,425	-	-	25,425
Andrew Bell	-	-	-	-
Stephen Kinsella	-	-	-	-
David Thorn	-	-	-	-

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

During the reporting period the Group sub-leased office space from AURA Group Services, a related entity of Mr Calvin Ng (Director). Rental income (inc GST) paid during the reporting period totaled \$90,577 (2023: \$42,000). There was no balance receivable at 30 June 2024 (2023: Nil).

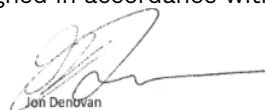
The group received trail commission income from two wholesale related parties where BNK Directors hold key positions. Resimac Limited (Warren McLeland as BNK Director) and FirstMac Services Pty Ltd (David Gration as BNK Director), contributed \$550,478 and \$76,177 respectively of trail income commissions to the Group during FY24 (incl GST). In the comparable period FY23, only Firstmac was considered a related party upon David Gration commencing his directorship and amounted to \$17,989.

The group also pays Commissions to FirstMac Limited for commissions on deposits raised through BNK (David Gration as BNK Director), during FY24 BNK paid \$243,917 and \$36,277 in FY23.

During the reporting period, Chief Executive Officer Mr Allan Savins held residential loan accounts through BNK totaling \$2,658,140 as at 30 June 2024. These loans were originally assessed and granted under the same controls, procedures and applying the same terms and conditions as all other BNK funded loans. No discount was given beyond that that would ordinarily be given to an individual with the same lending criteria.

**End of Remuneration Report**

Signed in accordance with a Resolution of Directors



Jon Denovan

Jon Denovan - Chairman

Dated this 29th day of August 2024

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## Auditor's Independence Declaration

To the Directors of BNK Banking Corporation Ltd.

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of BNK Banking Corporation Ltd. for the year ended 30 June 2024, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

*Grant Thornton*

Grant Thornton Audit Pty Ltd  
Chartered Accountants

*Claire Scott*

Claire L Scott  
Partner – Audit & Assurance

Sydney, 29 August 2024

**[www.grantthornton.com.au](http://www.grantthornton.com.au)**  
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**STATEMENTS OF FINANCIAL POSITION**  
**As at 30 June 2024**

<i>In thousands of AUD</i>	Note	Consolidated		Bank	
		2024	2023	2024	2023
		\$	\$	\$	\$
<b>ASSETS</b>					
Cash and cash equivalents	4.1.1	118,352	92,573	110,060	90,510
Due from other financial institutions	4.2	91,972	54,620	91,972	54,620
Other financial assets	4.2	115,113	147,578	115,113	147,578
Loans and advances	3.1	1,378,211	1,357,521	1,376,744	1,356,819
Commissions and other receivables	4.4.1	5,881	2,860	7,424	6,914
Contract assets	4.4.3	11,421	16,759	-	-
Investment in subsidiaries	6.1.1	-	-	19,896	19,896
Property, plant and equipment	7.1	189	490	79	220
Goodwill and other intangible assets	7.2	3,771	7,389	271	289
Deferred tax assets/liabilities net	2.5.2	-	-	752	2,485
<b>TOTAL ASSETS</b>		<b>1,724,910</b>	<b>1,679,790</b>	<b>1,722,311</b>	<b>1,679,331</b>
<b>LIABILITIES</b>					
Deposits	4.3	1,270,643	1,252,260	1,270,643	1,252,260
Other financial liabilities	4.5	321,438	285,034	318,402	285,819
Commissions and other payables	4.4.2	5,296	6,770	5,011	11,694
Trail commission payable	4.4.3	3,532	5,930	-	-
Current tax liability		-	-	-	-
Provisions	7.3	985	1,176	985	529
Deferred tax assets/liabilities net	2.5.2	1,899	437	-	-
<b>TOTAL LIABILITIES</b>		<b>1,603,793</b>	<b>1,551,607</b>	<b>1,595,041</b>	<b>1,550,302</b>
<b>NET ASSETS</b>		<b>121,117</b>	<b>128,183</b>	<b>127,270</b>	<b>129,029</b>
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS</b>					
<b>Contributed equity</b>					
Issued capital, net of raising costs	5.2.3	100,329	100,329	100,329	100,329
Reserves		1,641	1,903	1,281	1,179
Retained earnings		19,147	25,951	25,660	27,521
<b>TOTAL EQUITY</b>		<b>121,117</b>	<b>128,183</b>	<b>127,270</b>	<b>129,029</b>

The above financial statement should be read in conjunction with the accompanying notes



**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
For the year ended 30 June 2024

<i>In thousands of AUD</i>	Note	Consolidated		Bank	
		2024 \$	2023 \$	2024 \$	2023 \$
Interest revenue from banking activities	2.3	95,912	60,650	92,011	57,729
Interest expense from banking activities	2.3	(76,622)	(41,842)	(76,761)	(41,705)
Net interest income	2.3	19,290	18,808	15,250	16,024
Commission income	2.3	(1,067)	1,746	-	-
Commission expense	2.3	(4,156)	(5,458)	(2,030)	(1,660)
Net commission income/(expense)		(5,223)	(3,712)	(2,030)	(1,660)
Other income	2.3	3,368	3,913	1,944	1,671
<b>Total net revenue</b>		<b>17,435</b>	<b>19,009</b>	<b>15,164</b>	<b>16,035</b>
Operating expenses	2.4	(21,584)	(23,089)	(17,802)	(16,351)
Impairment of goodwill	7.2	(3,600)	-	-	-
Impairment of loans, advances and other receivables		(300)	(1,105)	(243)	(1,064)
<b>Profit/(Loss) before income tax</b>		<b>(8,049)</b>	<b>(5,185)</b>	<b>(2,881)</b>	<b>(1,380)</b>
Income tax (expense)/benefit	2.5.1	1,348	1,250	1,122	79
<b>Profit/(Loss) for the period attributable to equity holders of the parent</b>		<b>(6,701)</b>	<b>(3,935)</b>	<b>(1,759)</b>	<b>(1,301)</b>
<b>Other comprehensive income</b>					
<b>Items that are or may be reclassified subsequently to profit or loss, net of income tax</b>		-	-	-	-
Total comprehensive income for the period		<b>(6,701)</b>	<b>(3,935)</b>	<b>(1,759)</b>	<b>(1,301)</b>
<b>Earnings per share – continuing operations</b>					
Basic earnings per share (cents)	5.3	(5.64)	(3.32)	-	-
Diluted earnings per share (cents)	5.3	(5.64)	(3.31)	-	-

The above financial statement should be read in conjunction with the accompanying notes

**STATEMENTS OF CHANGES IN EQUITY**  
For the year ended 30 June 2024

Attributable to equity holders	Note	Issued Capital	Equity Raising Costs	Liquidity Reserve	Treasury Shares	General Reserve for Credit Losses	Share-based Payments Reserve	Retained Earnings	Total Equity
		\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2022</b>		<b>122,275</b>	<b>(3,332)</b>	-	<b>(103)</b>	<b>446</b>	<b>1,291</b>	<b>69,799</b>	<b>190,376</b>
Loss for the period		-	-	-	-	-	-	(3,935)	(3,935)
<b>Total comprehensive income</b>								(3,935)	(3,935)
<b>Transactions with owners of the Company</b>									
Dividends	5.4	-	-	-	-	-	-	(40,359)	(40,359)
Capital return	5.2.3	(18,995)	-	-	-	-	-	-	(18,995)
Reclassification of reserve		-	-	-	-	(446)	-	446	-
Issue of share capital	5.2.2	384	-	-	-	-	-	-	384
Equity raising costs, net of tax	5.2.3	-	(3)	-	-	-	-	-	(3)
Cost of share-based payments	7.5.2	-	-	-	-	-	(10)	-	(10)
SPV reserve movement		-	-	725	-	-	-	-	725
<b>Balance at 30 June 2023</b>		<b>103,664</b>	<b>(3,335)</b>	<b>725</b>	<b>(103)</b>	-	<b>1,281</b>	<b>25,951</b>	<b>128,183</b>
<b>Balance at 1 July 2023</b>		<b>103,664</b>	<b>(3,335)</b>	<b>725</b>	<b>(103)</b>	-	<b>1,281</b>	<b>25,951</b>	<b>128,183</b>
Loss for the period		-	-	-	-	-	-	(6,701)	(6,701)
<b>Total comprehensive income</b>								(6,701)	(6,701)
<b>Transactions with owners of the Company</b>									
Issue of share capital	5.2.2	-	-	-	-	-	-	-	-
Equity raising costs, net of tax	5.2.3	-	-	-	-	-	-	-	-
Treasury share movement		-	-	-	103	-	-	(103)	-
SPV reserve movement		-	-	(365)	-	-	-	-	(365)
<b>Balance at 30 June 2024</b>		<b>103,664</b>	<b>(3,335)</b>	<b>360</b>	-	-	<b>1,281</b>	<b>19,147</b>	<b>121,117</b>

The above financial statement should be read in conjunction with the accompanying notes

**STATEMENTS OF CHANGES IN EQUITY**  
For the year ended 30 June 2024

*In thousands of AUD*

Attributable to equity holders	Note	Bank						
		Issued Capital	Equity Raising Costs	General Reserve for Credit Losses	Treasury Shares	Share-based Payments Reserve	Retained Earnings	Total Equity
		\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2022</b>		<b>122,275</b>	<b>(3,332)</b>	<b>446</b>	<b>(103)</b>	<b>1,291</b>	<b>68,736</b>	<b>189,313</b>
Loss for the period							(1,301)	(1,301)
<b>Total comprehensive income</b>							<b>(1,301)</b>	<b>(1,301)</b>
<b>Transactions with owners of the Company</b>								
Dividends	5.4	-	-	-	-	-	(40,359)	(40,359)
Capital return	5.2.3	(18,995)	-	-	-	-	-	(18,995)
Reclassification of reserve		-	-	(446)	-	-	446	-
Issue of share capital	5.2.2	384	-	-	-	-	-	384
Equity raising costs, net of tax	5.2.3	-	(3)	-	-	-	-	(3)
Cost of share-based payments	7.5.2	-	-	-	-	(10)	-	(10)
<b>Balance at 30 June 2023</b>		<b>103,664</b>	<b>(3,335)</b>	<b>-</b>	<b>(103)</b>	<b>1,281</b>	<b>27,522</b>	<b>129,029</b>
<b>Balance at 1 July 2023</b>		<b>103,664</b>	<b>(3,335)</b>	<b>-</b>	<b>(103)</b>	<b>1,281</b>	<b>27,522</b>	<b>129,029</b>
Loss for the period							(1,759)	(1,759)
<b>Total comprehensive income</b>							<b>(1,759)</b>	<b>(1,759)</b>
<b>Transactions with owners of the Company</b>								
Issue of share capital	5.2.2	-	-	-	-	-	-	-
Treasury share movement		-	-	-	103	-	(103)	-
Equity raising costs, net of tax	5.2.3	-	-	-	-	-	-	-
<b>Balance at 30 June 2024</b>		<b>103,664</b>	<b>(3,335)</b>	<b>-</b>	<b>-</b>	<b>1,281</b>	<b>25,660</b>	<b>127,270</b>

The above financial statement should be read in conjunction with the accompanying notes

**STATEMENTS OF CASH FLOWS**  
**For the year ended 30 June 2024**

	Note	Consolidated		Bank	
		2024	2023	2024	2023
<i>In thousands of AUD</i>		\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Interest received		96,835	60,650	92,934	60,296
Fees and commissions received		7,716	14,229	1,938	2,867
Interest and other costs of finance paid		(76,603)	(41,816)	(76,753)	(41,705)
Other income received		-	4	-	4
Payments to suppliers and employees		(30,266)	(31,719)	(23,419)	(19,833)
Net increase in loans, advances and other receivables		(21,058)	(367,261)	(21,058)	(367,261)
Net (decrease)/increase in deposits and other borrowings		18,383	287,671	18,383	287,671
Net (payments)/receipts for financial securities		(4,888)	64,916	(4888)	64,916
Income taxes paid		-	(17,565)	-	(17,565)
<b>Net cash provided by/(used in) operating activities</b>	4.1.2	<b>(9,881)</b>	<b>(30,891)</b>	<b>(12,863)</b>	<b>(30,610)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from sale of property, plant and equipment		15	-	15	-
Payments for property, plant and equipment		(20)	-	(11)	-
<b>Net cash from/(used in) investing activities</b>		<b>(5)</b>	<b>-</b>	<b>4</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from the issue of capital	5.2.2	-	375	-	375
Payments for equity raising costs	5.2.3	-	(4)	-	(6)
Payment of capital	5.2.3	-	(18,995)	-	(18,995)
Payment of dividends	5.4	-	(40,359)	-	(40,359)
Payments for lease liabilities		(375)	(322)	(174)	(151)
Repayment of borrowings		(14,187)	-	(13,823)	-
Proceeds of borrowings		50,227	39,489	46,406	40,629
<b>Net (used in)/cash from financing activities</b>		<b>35,665</b>	<b>(19,816)</b>	<b>32,409</b>	<b>(18,507)</b>
Net increase/(decrease) in cash held		25,779	(50,707)	19,550	(49,117)
Cash and cash equivalents at beginning of the year		92,573	143,280	90,510	139,627
<b>Total cash and cash equivalents</b>		<b>118,352</b>	<b>92,573</b>	<b>110,060</b>	<b>90,510</b>

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL REPORT

**1. BASIS OF PREPARATION**

**1.1 Reporting entity**

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 2024 was authorised for issue in accordance with a resolution of the directors on 29th August 2024.

**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 (Rounding in Financial/Directors’ Reports) Instrument 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:

	<u>Reference</u>
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

**1.4 Accounting policies and new standards**

**(a) New and amended standards adopted by the group**

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

**(b) New standards and interpretations not yet adopted**

Certain amendments to accounting standards have been published that are not mandatory for 30 June 2024 reporting periods and have not been early adopted by the group. These amendments are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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NOTES TO THE FINANCIAL REPORT

**2. FINANCIAL PERFORMANCE**

**2.1 Operating segments**

AASB 8 requires operating segments to be identified on the basis of internal information provided to the chief decision maker, the Board of Directors, in relation to the Group's business activities.

The Group operates under a single segment of Bank for which information is provided regularly to the Board of Directors.

All elements within this Financial Report to June 2024 relate to the single reporting segment of Bank.

**Bank**

The Group's banking business refers to the provision of banking products and services such as loans and deposits under the BNK, Goldfields Money and Better Choice brands.

Loans are distributed through the Better Choice business, via online applications with the accredited broker network, and may be funded by deposits, securitisation vehicles or third-party funders. Existing securitised funding warehouses remain in place with Goldman Sachs (\$500m) and Bendigo & Adelaide Bank (increased to \$300m in July 2023 from \$250m).

Introducer broker channels receive commissions for loan origination and ongoing trail. Better Choice Wholesale earns and pays commissions on the loan books from the white label funders.

Deposits are originated under the Goldfields Money / BNK brand directly and through third party deposit brokers. The Bank earns net interest income and service fees from providing a range of services to its retail and small business customers.

Banking segment equates to consolidated position within these Financial Statements.

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NOTES TO THE FINANCIAL REPORT

2. FINANCIAL PERFORMANCE

2.3 Income

Net interest income

<i>In thousands of AUD</i>	Consolidated		2024 \$	Bank 2023 \$
	2024 \$	2023 \$		
<b>Interest revenue</b>				
Loans and advances	80,668	51,358	76,831	48,524
From other financial institutions	15,244	9,292	15,180	9,205
Total interest income	95,912	60,650	92,011	57,729
<b>Interest expense</b>				
Deposits	58,537	28,816	58,537	28,816
Lease liabilities	19	37	9	17
Securitisation liabilities	15,773	11,018	15,942	10,914
Subordinated debt	2,258	1,929	2,269	1,932
Other	35	42	4	26
Total interest expense	76,622	41,842	76,761	41,705
Net interest income	19,290	18,808	15,250	16,024

Net commission income

<b>Commission income</b>				
Upfront commission		554	937	-
Trail commission income	2.3.1	(1,621)	809	-
Total commission income		(1,067)	1,746	-
<b>Commission expense</b>				
Upfront commission expense		2,785	2,783	-
Trail commission expense	2.3.1	1,371	2,675	1,660
Total commission expense		4,156	5,458	1,660
Net commission income/(expense)		(5,223)	(3,712)	(2,030)

Other income

Service fees and other residual income	1,631	1,792	412	341
Lending fees	878	1,224	506	433
Transaction fees	853	893	853	893
Trust distributions	-	-	167	-
Other	6	4	6	4
Total other income	3,368	3,913	1,944	1,671

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NOTES TO THE FINANCIAL REPORT

**2. FINANCIAL PERFORMANCE**

**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 from first party loans 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 and expense (including third party funded loans), 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.

Trust Distributions have been recognised from the Bullion Warehouse No.1 Trust as unit holder.

*Commission revenues*

The Group provides loan origination services and receives upfront origination commission on the settlement of loans funded through the Goldman Sachs program. Additionally the lender normally pays a trailing commission over the life of the loan. These trailing commissions are paid to the Group from all funders where the Group continues to service customers and their loans. Commission revenue is recognised as follows:

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NOTES TO THE FINANCIAL REPORT

**2. FINANCIAL PERFORMANCE**

**2.3 Income (continued)**

**Accounting policy - recognition and measurement (continued)**

*Origination commissions*

Origination commissions are recognised at the point of the loans being settled, net of any offset balance (drawdown). Commissions' claw-backs 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. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. 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 4.4.3.

*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.

**2.3.1 Trail commission**

<i>In thousands of AUD</i>	<b>2024</b>	<b>Consolidated</b>	<b>2024</b>	<b>Bank</b>
	<b>\$</b>	<b>2023</b>	<b>\$</b>	<b>2023</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>
Trail commission receipts (net GST)	336	1'468	-	-
Change in net present value of future trail commissions receivable	(1,957)	1'341	-	-
Trail commission income	(1,621)	809	-	-
<b>Commission expense</b>				
Trail commission paid (net GST)	2,365	1,797	2,030	1,660
Change in net present value of future trail commission payable	(994)	1'878	-	-
Trail commission expense	1,371	2,675	2,030	1,660

<sup>1</sup> Comparatives for FY23 restated due to categorisation error.

Under AASB 15, Revenue from Contracts with Customers, trail commissions received and paid during the period are applied against the contract asset/liability held by the Group.

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NOTES TO THE FINANCIAL REPORT

**2. FINANCIAL PERFORMANCE**

**2.4 Operating Expenses**

<i>In thousands of AUD</i>	<b>Consolidated</b>		<b>Bank</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	\$	\$	\$	\$
Employee benefits	14,107	14,189	12,175	9,307
Information technology	2,631	2,208	1,949	1,599
Other administration expenses	2,013	1,790	1,443	1,235
Professional services	1,190	3,451	1,124	3,370
Banking services delivery	413	411	413	410
Depreciation, amortisation and impairment	331	340	161	172
Marketing	330	280	197	130
Occupancy	315	283	232	128
Securitisation operating expenses	254	137	108	-
<b>Total operating expenses</b>	<b>21,584</b>	<b>23,089</b>	<b>17,802</b>	<b>16,351</b>

**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:**

<i>In thousands of AUD</i>	<b>Consolidated</b>		<b>Bank</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	\$	\$	\$	\$
<i>Recognised in profit or loss</i>				
Current tax	-	-	-	-
Deferred tax	(1,331)	(1,468)	(913)	(331)
Adjustments in respect of previous income tax	(17)	218	(209)	252
<b>Income tax expense/(benefit) on continuing operations recognised in Profit or Loss</b>	<b>(1,348)</b>	<b>(1,250)</b>	<b>(1,122)</b>	<b>(79)</b>
<i>Recognised in OCI</i>				
Financial instruments at fair value through OCI	-	-	-	-
Equity raising costs	-	1	-	1
<b>Income tax expense/(benefit) on continuing operations recognised in Other Comprehensive Income</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>1</b>
<b>Tax reconciliation</b>				
Profit/(Loss) before tax	(8,050)	(5,185)	(3,048)	(1,380)
Prima facie income tax expense/(benefit) on profit before income tax at 30% (2022:30%)	(2,415)	(1,555)	(914)	(414)
Adjust for tax effect of:				
Non-assessable income	-	-	-	-
Non-deductible expenses	1,084	87	1	84
Prior period adjustments	(17)	218	(209)	251
<b>Income tax expense/(benefit) on continuing operations recognised in Profit or Loss</b>	<b>(1,348)</b>	<b>(1,250)</b>	<b>(1,122)</b>	<b>(79)</b>

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NOTES TO THE FINANCIAL REPORT

**2. FINANCIAL PERFORMANCE**

**2.5 Income tax (continued)**

**2.5.2 Deferred tax assets and liabilities**

<i>In thousands of AUD</i>	<b>Consolidated</b>		<b>Bank</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	\$	\$	\$	\$
Deferred tax assets comprise temporary differences attributable to:				
Provision for doubtful debts	981	916	890	841
Accrued expenses	751	1,048	596	889
Provisions	296	353	296	159
Equity raising and s.40-880 costs	103	181	103	181
Lease liabilities	56	163	26	76
Net present value of trail commission payable	1,060	1,779	-	-
Cloud based software development costs	-	1,675	-	1,501
Carry forward losses	334	1,266	334	1,266
<b>Total deferred tax assets</b>	<b>3,581</b>	<b>7,381</b>	<b>2,245</b>	<b>4,913</b>
Deferred tax liabilities comprise temporary differences attributable to:				
Prepayments and other assets	-	-	-	-
Intangible assets	49	138	20	60
Net present value of trail commission receivable	3,427	5,027	-	-
Deferred commission expense	2,004	2,653	1,473	2,368
Property, plant and equipment	-	-	-	-
<b>Total deferred tax liabilities</b>	<b>5,480</b>	<b>7,818</b>	<b>1,493</b>	<b>2,428</b>
Set-off	(3,581)	(7,381)	(2,245)	(4,913)
<b>Net deferred tax asset/(liability)</b>	<b>(1,899)</b>	<b>(437)</b>	<b>752</b>	<b>2,485</b>

**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 except to the extent that it relates to items recognised in other comprehensive income.

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*.

**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.

NOTES TO THE FINANCIAL REPORT

**3. LOANS AND ADVANCES**

**3.1. Loans and advances**

<i>In thousands of AUD</i>	<b>Consolidated</b>		<b>Bank</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Residential loans	1,291,483	1,295,591	1,291,483	1,295,591
Commercial loans	76,485	54,588	76,485	54,588
Personal loans	35	95	35	95
Overdrafts	4,716	1,386	4,716	1,386
	1,372,719	1,351,660	1,372,719	1,351,660
Add: Unamortised broker commissions	6,679	7,194	4,908	6,243
Unamortised premium	2,081	1,636	2,081	1,636
Gross loans and advances	1,381,479	1,360,490	1,379,708	1,359,539
Provision for credit losses – refer note 3.2	(3,268)	(2,969)	(2,964)	(2,720)
Loans and advances net of provisions	1,378,211	1,357,521	1,376,744	1,356,819
<b>Maturity analysis – gross loans and advances</b>				
Overdrafts	4,726	1,386	4,726	1,386
Not longer than 1 year	2,001	165	2,001	165
Longer than 1 and not longer than 5 years	2,522	5,525	2,522	5,525
Longer than 5 years	1,372,230	1,353,414	1,370,459	1,352,463
	1,381,479	1,360,490	1,379,708	1,359,539

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.

Loans acquisitions, such as the Goldman Sachs purchase, are recognised at fair value onto the balance sheet at date of acquisition. Any variation between fair value and purchase price would result in a fair value adjustment being recognised.

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.

**3.2 Provision for credit losses**

<i>In thousands of AUD</i>	<b>Consolidated</b>		<b>Bank</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Expected credit loss provision	3,268	2,969	2,964	2,720
Total provisions for credit losses	3,268	2,969	2,964	2,720
<b>Expected credit loss provision</b>				
Opening balance	2,969	1,864	2,720	1,656
Specific debt provided for during the year	28	124	28	124
Bad debts provided for during the year	271	981	216	940
Bad debts written off during the year	-	-	-	-
Closing balance	3,268	2,969	2,964	2,720

Refer to note 5.1.4 for further information on the expected credit loss provisions recognised at balance date.

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NOTES TO THE FINANCIAL REPORT

**3. LOANS AND ADVANCES**

**3.2 Provision for credit losses (continued)**

**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 the 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 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).

ECL for exposures in Stage 1 is calculated for each facility and for each of the three economic scenarios (described within the scenarios and sensitivity analysis below) by multiplying the 12-month point in time PD, EAD and LGD with the corresponding scenario economic assumptions applied in the models. The final Stage 1 ECL is a probability weighted average of the three scenario-based estimates.

Similarly, lifetime ECL is calculated at a facility-level for each scenario and combined into a probability weighted average of the three scenario-based estimates, however the point in time PD for stage 2 is calculated over a 5-year horizon to reflect an approximate remaining lifetime estimate. For stage 3 PD is set to 100% as the facilities are already in default.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on industry benchmarks of recovery rates of claims against defaulted counterparties. The model applies industry risk weightings based upon 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.

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NOTES TO THE FINANCIAL REPORT

**3. LOANS AND ADVANCES**

**3.2 Provision for credit losses (continued)**

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 (90 days or more in arrears) in the future. Utilising the risk framework within the model, probabilities are applied to PD Segments based upon arrears history and LVRs of each loan. This is then applied to the exposure amount as at 30 June 2024.

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.

**Concentration Risk Overlay**

The concentration risk overlay is calculated based on a 20% likelihood of a full loss of an average top-10 exposure occurring in the severe downturn scenario with a sliding scale of probabilities based on weighting towards downturn scenarios. Management believes this overlay represents the increased risk of a loss based on each scenario whilst the portfolio grows. For BNK that equates to \$467,804 or 4.1bps of total portfolio (excluding the BEN Warehouse) for the period to 30 June 2024 (2023: \$443,367 or 3.9bps).

**Data, Model and other Risk Overlays**

With the change to a new model occurring in FY23, a data and model risk overlay was applied on top of the model outcomes, whilst the model and portfolio experience matures. This overlay addresses the proxy data being used from portfolio's of a similar nature and with similar credit risk/lending criteria to BNK. This isn't considered in the model therefore the risk is addressed by an overlay. For BNK that equates to \$400,000 or 3.5bps of total portfolio (excluding the BEN Warehouse) for the period to 30 June 2024, (2023: \$500,000 or 4.4 bps).

In addition, the group has considered the timing effect of facilities moving out of stage 3 with regards to the likelihood of further pressures and transactional accounts in overdraft. The group has included \$162,000 of additional overlays to recognise the curing of loans from stage 3 and other smaller elements.

*Forward looking information*

Forward looking information is incorporated into Expected Credit Loss estimates via underlying cycle-dependent or "point in time" PD and LGD models, which vary, based on projected property price changes and state of the cycle indicator. Forecast PD and LGD are estimated under three economic scenarios representing a cycle average, a moderate downturn and a severe downturn. Likelihood of each scenario going forward is captured by probability weighting towards each scenario, which are set based on judgement.

*Scenarios and Sensitivity Analysis*

The key drivers for sensitivity analysis relate to the change in property prices and the impact of future economic events occurring.

<b>Economic condition</b>	<b>Change in Property Price</b>	<b>Event Frequency (1-in-x year)</b>
Long Run Average	0%	-
Moderate Downturn	-10%	1 in 15
Severe Downturn	-30%	1 in 50

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NOTES TO THE FINANCIAL REPORT

**3. LOANS AND ADVANCES**

**3.2 Provision for credit losses (continued)**

By applying different weightings to each of the above three economic conditions the model provides sensitivity outcomes comparable to the actual model outcomes derived for the Group in the reporting period to 30<sup>th</sup> June 2024.

Within each of these scenario's, LGD and PD rates are flexed according to benchmarking data. The combination of each weighting matrix results in the following outcomes;

*In thousands of AUD*

	<b>Long Run</b>	<b>Moderate Downturn</b>	<b>Severe Downturn</b>	<b>Concentration Overlay</b>	<b>Other Overlay</b>	<b>Model Outcome</b>	<b>Variance</b>
Model Used	60%	30%	10%	468	562	2,811	-
Scenario 1	80%	20%	-	468	500	2,062	(749)
Scenario 2	70%	20%	10%	468	552	2,690	(120)
Scenario 3	50%	35%	15%	468	593	3,186	375

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NOTES TO THE FINANCIAL REPORT

**3. LOANS AND ADVANCES**

**3.2 Provision for credit losses (continued)**

Movements of expected credit loss provision

<i>In thousands of AUD</i>	Consolidated							
	Stage 1		Stage 2		Stage 3		Total	
	Gross exposure	Provision	Gross exposure	Provision	Gross exposure	Provision	Gross exposure	Provision
Opening balance – 1 July 2022	987,230	1,573	3,200	115	1,410	176	991,930	1,864
Transfers to/(from)								
Stage 1	-	-	-	-	-	-	-	-
Stage 2	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-	-
Specific Provision	-	-	644	124	-	-	644	124
Movement in year	364,549	635	3,267	244	99	102	367,915	981
Bad debts written off	-	-	-	-	-	-	-	-
Closing balance – 30 June 2023	1,351,869	2,208	7,111	483	1,509	278	1,360,489	2,969
Opening balance – 1 July 2023	1,351,869	2,208	7,111	483	1,509	278	1,360,489	2,969
Transfers to/(from)								
Stage 1	-	-	-	-	-	-	-	-
Stage 2	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-	-
Specific Provision	-	-	(644)	(124)	673	152	29	28
Movement in year	10,676	(230)	(1,680)	(117)	11,966	618	20,961	271
Bad debts written off	-	-	-	-	-	-	-	-
Closing balance – 30 June 2024	1,362,545	1,978	4,787	242	14,147	1,048	1,381,479	3,268



NOTES TO THE FINANCIAL REPORT

**3. LOANS AND ADVANCES**

**3.2 Provision for credit losses (continued)**

Movement of expected credit loss provision

<i>In thousands of AUD</i>	Bank							
	Stage 1		Stage 2		Stage 3		Total	
	Gross exposure	Provision	Gross exposure	Provision	Gross exposure	Provision	Gross exposure	Provision
Opening balance – 1 July 2022	779,495	1,365	3,200	115	1,410	176	784,105	1,656
Transfers to/(from)								
Stage 1	-	-	-	-	-	-	-	-
Stage 2	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-	-
Specific Provision	-	-	644	124	-	-	644	124
Movement in year	323,648	594	3,267	244	99	102	327,015	940
Bad debts written off	-	-	-	-	-	-	-	-
Closing balance – 30 June 2023	1,103,143	1,959	7,111	483	1,509	278	1,111,764	2,720
Opening balance – 1 July 2023	1,103,143	1,959	7,111	483	1,509	278	1,111,764	2,720
Transfers to/(from)								
Stage 1	-	-	-	-	-	-	-	-
Stage 2	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-	-
Specific Provision	-	-	(644)	(124)	673	152	29	28
Movement in year	(35,080)	(285)	(1,681)	(117)	11,965	618	(24,795)	216
Bad debts written off	-	-	-	-	-	-	-	-
Closing balance – 30 June 2024	1,068,063	1,674	4,786	242	14,147	1,048	1,086,997	2,964

NOTES TO THE FINANCIAL REPORT

**4. LIQUIDITY AND FUNDING**

**4.1.1 Cash and cash equivalents**

<i>In thousands of AUD</i>	<b>Consolidated</b>		<b>2024</b> \$	<b>Bank</b> <b>2023</b> \$
	<b>2024</b>	<b>2023</b>		
	\$	\$		
Cash at bank and on hand	81,750	90,707	80,604	90,510
Cash at bank - restricted	36,602	1,866	29,456	-
<b>Total cash and cash equivalents</b>	<b>118,352</b>	<b>92,573</b>	<b>110,060</b>	<b>90,510</b>

Restricted Cash is the cash reserves maintained in accordance with the Bullion Trust Deed and the Primus Trust Deed and is available to meet certain shortfalls in respect to losses and liquidity. The cash is not available as free cash for the operations of the Group without certain predefined conditions being met.

**Recognition and measurement**

Cash and cash equivalents include cash on hand, deposits held at call with banks 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**

<i>In thousands of AUD</i>	<b>Consolidated</b>		<b>2024</b> \$	<b>Bank</b> <b>2023</b> \$
	<b>2024</b>	<b>2023</b>		
	\$	\$		
Operating profit/(loss) after income tax	(6,701)	(3,935)	(1,759)	(1,301)
<i>Non-cash items</i>				
Depreciation and amortisation	330	340	161	172
Change in fair value of NPV asset	5,338	4,273	-	-
Change in fair value of NPV liability	(2,398)	(1,523)	-	-
Impairment of financial assets	300	1,105	243	1,064
Impairment of goodwill	3,600	-	-	-
Leave provisions	191	(139)	(457)	85
<i>Movement in assets and liabilities</i>				
Loans and receivables	(21,058)	(367,261)	(21,058)	(367,261)
Investments	(4,888)	64,916	(4,888)	64,916
Deposits	18,383	287,671	18,383	287,671
Other assets	(2,952)	2,509	379	349
Deferred tax assets	3,801	(883)	2,668	(1,370)
Deferred tax liabilities	(2,339)	(508)	(935)	544
Current tax payable	-	(17,424)	-	(23,150)
Payables	(1,297)	(171)	(6,057)	7,756
Provisions	(191)	139	457	(85)
<b>Net cash flow from operating activities</b>	<b>(9,881)</b>	<b>(30,891)</b>	<b>(12,863)</b>	<b>(30,610)</b>

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NOTES TO THE FINANCIAL REPORT

**4. LIQUIDITY AND FUNDING**

**4.2 Financial assets**

<i>In thousands of AUD</i>	<b>Consolidated</b>		<b>2024</b>	<b>Bank</b>
	<b>2024</b>	<b>2023</b>		
	\$	\$	\$	\$
Due from other financial institutions at amortised cost	91,972	54,620	91,972	54,620
Investment securities at amortised cost (a)	115,113	147,578	115,113	147,578
	207,085	202,198	207,085	202,198
<b>Maturity analysis</b>				
Due from other financial institutions				
- Not longer than 3 months	64,596	37,000	64,596	37,000
- 3 months to 1 year	19,756	10,000	19,756	10,000
- 1 year to 5 years	7,620	7,620	7,620	7,620
	91,972	54,620	91,972	54,620
Investment securities				
- Not longer than 3 months	12,111	39,380	12,111	39,380
- 3 months to 1 year	5,124	65,075	5,124	65,075
- 1 year to 5 years	92,829	38,067	92,829	38,067
- More than 5 years	5,049	5,056	5,049	5,056
	115,113	147,578	115,113	147,578

(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.

**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 gives 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.

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NOTES TO THE FINANCIAL REPORT

**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**

<i>In thousands of AUD</i>	<b>Consolidated</b>		<b>2024</b>	<b>Bank 2023</b>
	<b>2024</b>	<b>2023</b>		
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Call deposits	638,999	593,602	638,999	593,602
Term deposits	631,644	658,658	631,644	658,658
	<b>1,270,643</b>	<b>1,252,260</b>	<b>1,270,643</b>	<b>1,252,260</b>
<b>Maturity analysis</b>				
- At call	638,999	593,602	638,999	593,602
- Not longer than 3 months	289,001	262,573	289,001	262,573
- Longer than 3 months but less than 12 months	328,492	377,708	328,492	377,708
- Longer than 12 months but less than 5 years	14,151	18,377	14,151	18,377
	<b>1,270,643</b>	<b>1,252,260</b>	<b>1,270,643</b>	<b>1,252,260</b>

**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**

<i>In thousands of AUD</i>	<b>Consolidated</b>		<b>2024</b>	<b>Bank 2023</b>
	<b>2024</b>	<b>2023</b>		
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Accrued commission income	242	326	-	-
Prepayments	1,802	1,684	4,880	4,023
Other debtors	13,837	934	2,544	2,975
Less provision for impairment	-	(84)	-	(84)
<b>Total commissions and other receivables</b>	<b>5,881</b>	<b>2,860</b>	<b>7,424</b>	<b>6,914</b>

<sup>1</sup> Includes ATO refund received July 2024 \$2.8m.

NOTES TO THE FINANCIAL REPORT

**4. LIQUIDITY AND FUNDING**

**4.4 Receivables and payables (continued)**

**4.4.2 Commissions and other payables**

<i>In thousands of AUD</i>	<b>Consolidated</b>		<b>Bank</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	\$	\$	\$	\$
Accrued commission payable	94	138	-	-
Lease liabilities - refer to note 7.4	188	544	88	254
Trade creditors and accrued expenses	5,014	6,088	4,923	11,440
<b>Total commissions and other payables</b>	<b>5,296</b>	<b>6,770</b>	<b>5,011</b>	<b>11,694</b>

**4.4.3 Contract assets and trail commission payable**

<i>In thousands of AUD</i>	<b>Consolidated</b>		<b>Bank</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	\$	\$	\$	\$
<b>Contract assets (trail commission income)</b>				
Net present value of future trail commission receivable	11,421	16,759	-	-
<b>Trail commission payable (Contract liability)</b>				
Net present value of future trail commission payable	3,532	5,930	-	-

<i>In thousands of AUD</i>	<b>Consolidated</b>		<b>Bank</b>	
	<b>Contract Asset</b>	<b>Trail commission payable</b>	<b>Contract Asset</b>	<b>Trail commission payable</b>
	\$	\$	\$	\$
Opening net present value at 1 July 2023	16,759	5,930	-	-
Additions	-	-	-	-
Amortisation provided	(5,338)	(2,398)	-	-
<b>Closing net present value at 30 June 2024</b>	<b>11,421</b>	<b>3,532</b>	<b>-</b>	<b>-</b>

The net Contract Asset is a reducing pool of loans due to no further third party funded loans being originated by the Group.

**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.

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NOTES TO THE FINANCIAL REPORT

**4. LIQUIDITY AND FUNDING**

**4.4.3 Contract assets and trail commission payable (continued)**

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:

	<b>2024</b>	<b>2023</b>
Discount rate per annum	Between 1.5% and 7.0%	Between 1.5% and 6.5%
Percentage paid to brokers	Between 0% and 100%	Between 5% and 93%
Weighted average life – Total portfolio	7.9 years	6.7 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.

**4.5 Other financial liabilities**

<i>In thousands of AUD</i>	<b>Consolidated</b>		<b>Bank</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	\$	\$	\$	\$
Term funding facility - initial funding	-	13,751	-	13,751
Term funding facility – accrued interest	-	73	-	73
Securitisation liabilities - loans	-	-	294,481	248,725
Securitisation liabilities - notes	297,517	247,940	-	-
Subordinated debt	23,921	23,270	23,921	23,270
<b>Total borrowings</b>	<b>321,438</b>	<b>285,034</b>	<b>318,402</b>	<b>285,819</b>

**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 FY21, the Group accessed 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 provided collateral in the form of RBA repo-eligible semi government securities for an equal value of the TFF. The Group repaid all entitlements under the TFF during FY24.

*Securitisation liabilities - loans*

During 2021 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 July 2023 the funding facility within the Trust was increased to \$300m (from \$250m).

<i>In thousands of AUD</i>	<b>Consolidated</b>		<b>Bank</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	\$	\$	\$	\$
Securitisation warehouse funding facilities - utilised	294,481	248,726	294,481	248,726
Securitisation warehouse funding facilities - unutilised	5,519	1,274	5,519	1,274
<b>Securitisation warehouse funding approval limit</b>	<b>300,000</b>	<b>250,000</b>	<b>300,000</b>	<b>250,000</b>

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NOTES TO THE FINANCIAL REPORT

**4. LIQUIDITY AND FUNDING**

**4.5 Other financial liabilities (continued)**

*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 totalling \$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 totalling \$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.

*Securitisation liabilities - notes*

<i>In thousands of AUD</i>	<b>Margin range above BBSW</b>	<b>Accrued Interest</b>	<b>Principal Notes</b>	<b>Total</b>
<b>30 June 2024</b>				
	<b>%</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Class A Notes	1.15	459	279,000	279,459
Class B Notes	4.80	10	4,190	4,200
Class C1 Notes	7.25	17	5,226	5,243
Class D1 Notes	8.25	12	3,576	3,588
Class E1 Notes	9.00	10	2,608	2,618
Class F1 Notes	11.00	10	2,400	2,410
<b>Securitisation liabilities –notes totals</b>		<b>518</b>	<b>297,000</b>	<b>297,518</b>

<i>In thousands of AUD</i>	<b>Margin range above BBSW</b>	<b>Accrued Interest</b>	<b>Principal Notes</b>	<b>Total</b>
<b>30 June 2023</b>				
	<b>%</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Class A Notes	1.10–1.30	373	230,000	230,373
Class B Notes	8.00–10.00	26	7,500	7,526
Class C1 Notes	10.00	41	10,000	10,041
<b>Securitisation liabilities –notes totals</b>		<b>440</b>	<b>247,500</b>	<b>247,940</b>

In July 2023, B and C1 notes held by BXAMH Sub TC Pty Ltd were repaid and replaced in the funding structure through notes B, C1, D1, E1, F1 held by Realm Investment Management Pty Ltd. BNK holds the notes under C2, D2, E2 and F2 and as such these amounts are fully eliminated on Group consolidation.

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NOTES TO THE FINANCIAL REPORT

**4. LIQUIDITY AND FUNDING**

**4.5 Other financial liabilities (continued)**

*Self-Securitised Trust*

In July 2023, the Group established a self-securitisation Trust, “PRIMUS 2023-1R”, through the issuance of Class A and B notes. The Class A notes are structured such that they will be eligible for collateral for the RBA term repo facility. The notes are secured by a pool of first ranking, full doc residential mortgage loans meeting eligibility requirements, assessed and originated by BNK and equitably assigned to the Trust.

The note structure is as follows;

<i>In thousands of AUD</i>	<b>Margin above BBSW %</b>	<b>Principal Notes \$</b>
Class A Notes	0.5	270,500
Class B Notes	0.5	27,000
<b>Securitisation liabilities funding totals</b>		<b>297,500</b>

At 30 June 2024, the value of the loans held within the PRIMUS Trust was \$268,758,683.

On group consolidation all balances between BNK and the PRIMUS trust are fully eliminated.

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NOTES TO THE FINANCIAL REPORT

**5. FINANCIAL RISK AND CAPITAL MANAGEMENT**

**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, relevant committees referenced within this section, 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 Officer is 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 outsourced internal audit organisations, which examines both the adequacy of the procedures and compliance with the procedures. The results of the work of internal audit 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 and funding markets, reports risk metrics against Board defined triggers and forecasts movements in balance sheet positions to manage liquidity and optimise risk and financial outcomes.

*Non-Financial Risk Committee (NFR)*

The NFRC 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.

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NOTES TO THE FINANCIAL REPORT

**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 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 Net Interest Income at Risk and Economic Value Sensitivity;
- 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; and
- Regular meetings to measure and monitor the impact of movements in interest rates.

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NOTES TO THE FINANCIAL REPORT  
5. RISK AND CAPITAL MANAGEMENT

5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

5.1.2 Interest rate risk in the banking book (continued)

Consolidated

<i>In thousands of AUD</i>	Floating	Fixed interest rate					Non-interest	Amount per
	interest rate	1 year or less	1 to 2 years	2 to 3 years	3 to 5 years	> 5 years	bearing	Statement of Financial Position
<b>2024</b>								
<b>Financial assets</b>								
Cash and cash on hand	118,352	-	-	-	-	-	-	118,352
Due from other financial institutions	-	84,352	-	7,620	-	-	-	91,972
Investment securities	14,024	17,235	23,902	12,973	41,930	5,049	-	115,113
Loans and advances	1,271,270	88,533	12,229	687	-	-	-	1,372,719
Commission and other receivables	-	-	-	-	-	-	15,500	15,500
Other financial assets	-	-	-	-	-	-	-	-
<b>Total financial assets</b>	<b>1,403,646</b>	<b>190,120</b>	<b>36,131</b>	<b>21,280</b>	<b>41,930</b>	<b>5,049</b>	<b>15,500</b>	<b>1,713,656</b>
<b>Financial liabilities</b>								
Deposits	638,999	618,316	9,718	-	3,610	-	-	1,270,643
Lease liabilities	-	188	-	-	-	-	-	188
Commission and other payables	-	-	-	-	-	-	8,640	8,640
Securitisation liabilities	-	297,517	-	-	-	-	-	297,517
Subordinated notes	-	-	9,930	13,990	-	-	-	23,921
<b>Total financial liabilities</b>	<b>638,999</b>	<b>916,021</b>	<b>19,649</b>	<b>13,990</b>	<b>3,610</b>	<b>-</b>	<b>8,640</b>	<b>1,600,909</b>
<b>Net financial assets/(liabilities)</b>	<b>764,647</b>	<b>(725,901)</b>	<b>16,482</b>	<b>7,290</b>	<b>38,320</b>	<b>5,049</b>	<b>6,860</b>	<b>112,747</b>
<b>2023</b>								
<b>Financial assets</b>								
Cash and cash on hand	-	-	-	-	-	-	92,573	92,573
Due from other financial institutions	-	54,620	-	-	-	-	-	54,620
Investment securities	47,733	56,723	5,368	12,585	20,113	5,056	-	147,578
Loans and advances	1,055,024	164,928	122,398	9,310	-	-	-	1,351,660
Commission and other receivables	-	-	-	-	-	-	18,019	18,019
Other financial assets	-	-	-	-	-	-	-	-
<b>Total financial assets</b>	<b>1,102,757</b>	<b>276,271</b>	<b>127,766</b>	<b>21,895</b>	<b>20,113</b>	<b>5,056</b>	<b>110,592</b>	<b>1,664,450</b>
<b>Financial liabilities</b>								
Deposits	593,602	648,071	10,337	250	-	-	-	1,252,260
Lease liabilities	-	317	227	-	-	-	-	544
Commission and other payables	-	-	-	-	-	-	12,156	12,156
Securitisation liabilities	-	247,940	-	-	-	-	-	247,940
Subordinated notes	-	-	-	-	23,270	-	-	23,270
Term finance Facility	-	13,823	-	-	-	-	-	13,823
<b>Total financial liabilities</b>	<b>593,602</b>	<b>910,152</b>	<b>10,563</b>	<b>250</b>	<b>23,270</b>	<b>-</b>	<b>12,156</b>	<b>1,549,993</b>
<b>Net financial assets/(liabilities)</b>	<b>509,155</b>	<b>(633,880)</b>	<b>117,202</b>	<b>21,645</b>	<b>(3,157)</b>	<b>5,056</b>	<b>98,436</b>	<b>114,457</b>

NOTES TO THE FINANCIAL REPORT

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)

<i>In thousands of AUD</i>	Bank						Non-interest bearing	Amount per Statement of Financial Position
	Floating interest rate	Fixed interest rate						
2024		1 year or less	1 to 2 years	2 to 3 years	3 to 5 years	> 5 years		
<b>Financial assets</b>								
Cash and cash on hand	110,038	-	-	-	-	-	22	110,060
Due from other financial institutions	-	84,352	-	7,620	-	-	-	91,972
Investment securities	14,024	17,235	23,902	12,973	41,930	5,049	-	115,113
Loans and advances	1,271,270	88,533	12,229	687	-	-	-	1,372,719
Commission and other receivables	-	-	-	-	-	-	2,545	2,545
Other financial assets	-	-	-	-	-	-	-	-
<b>Total financial assets</b>	<b>1,395,332</b>	<b>190,120</b>	<b>36,131</b>	<b>21,280</b>	<b>41,930</b>	<b>5,049</b>	<b>2,567</b>	<b>1,692,409</b>
<b>Financial liabilities</b>								
Deposits	638,999	618,316	9,718	-	3,610	-	-	1,270,643
Lease liabilities	-	88	-	-	-	-	-	88
Creditors and other payables	-	-	-	-	-	-	4,923	4,923
Securitisation liabilities	-	294,481	-	-	-	-	-	294,481
Subordinated notes	-	-	9,931	13,990	-	-	-	23,921
<b>Total financial liabilities</b>	<b>638,999</b>	<b>912,885</b>	<b>19,649</b>	<b>13,990</b>	<b>3,610</b>	<b>-</b>	<b>4,923</b>	<b>1,594,056</b>
<b>Net financial assets/(liabilities)</b>	<b>756,333</b>	<b>(722,765)</b>	<b>16,482</b>	<b>7,290</b>	<b>38,320</b>	<b>5,049</b>	<b>(2,356)</b>	<b>98,353</b>
<b>2023</b>								
<b>Financial assets</b>								
Cash and cash on hand	-	-	-	-	-	-	90,510	90,510
Due from other financial institutions	-	54,620	-	-	-	-	-	54,620
Investment securities	47,733	56,723	5,368	12,585	20,113	5,056	-	147,578
Loans and advances	1,055,024	164,928	122,398	9,310	-	-	-	1,351,660
Commission and other receivables	-	-	-	-	-	-	2,975	2,975
Other financial assets	-	-	-	-	-	-	-	-
<b>Total financial assets</b>	<b>1,102,757</b>	<b>276,271</b>	<b>127,766</b>	<b>21,895</b>	<b>20,113</b>	<b>5,056</b>	<b>93,485</b>	<b>1,647,343</b>
<b>Financial liabilities</b>								
Deposits	593,602	648,071	10,337	250	-	-	-	1,252,260
Lease liabilities	-	147	107	-	-	-	-	254
Creditors and other payables	-	-	-	-	-	-	11,440	11,440
Securitisation liabilities	-	248,726	-	-	-	-	-	248,726
Subordinated notes	-	-	-	-	23,270	-	-	23,270
Term Finance Facility	-	13,823	-	-	-	-	-	13,823
<b>Total financial liabilities</b>	<b>593,602</b>	<b>910,767</b>	<b>10,444</b>	<b>250</b>	<b>23,270</b>	<b>-</b>	<b>11,440</b>	<b>1,549,773</b>
<b>Net financial assets/(liabilities)</b>	<b>509,155</b>	<b>(634,496)</b>	<b>117,322</b>	<b>21,645</b>	<b>(3,157)</b>	<b>5,056</b>	<b>82,045</b>	<b>97,570</b>

NOTES TO THE FINANCIAL REPORT

**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 +/- 100 basis points (2023: +/- 100 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)	
	2024	2023	2024	2023
100 basis points increase (2023: 100bps)	2,216	737	2,216	737
100 basis points decrease (2023: 100bps)	(2,216)	(737)	(2,216)	(737)

**5.1.3 Market risk - Equity investments**

The Group held no equity investments at 30 June 2024 or 30 June 2023.

**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 Wholesale business is 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.

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
- For all lending; personal guarantees may be sought and held

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 2024, the Group repossessed no properties (2023: Nil).

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NOTES TO THE FINANCIAL REPORT

**5. FINANCIAL RISK AND CAPITAL MANAGEMENT**

**5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

**5.1.4 Credit risk (continued)**

Concentrations of credit risk – Banking activities

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

<i>In thousands of AUD</i>	<b>Consolidated</b>		<b>Bank</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Owner occupier home loans	830,025	858,148	830,025	858,148
Investment home loans	461,475	437,493	461,475	437,493
Commercial loans	76,682	54,587	76,682	54,587
Secured personal loans	10	37	10	37
Unsecured personal loans	8	9	8	9
Overdrafts	4,519	1,386	4,519	1,386
	<b>1,372,719</b>	<b>1,351,660</b>	<b>1,372,719</b>	<b>1,351,660</b>

As at 30 June 2024 there were no borrowers (2023: 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:

<i>In thousands of AUD</i>	<b>Consolidated</b>		<b>Bank</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Past due but not impaired				
30 days & less than 90 days	6,589	6,803	6,589	6,803
90 days & less than 182 days	6,066	1,513	6,066	1,513
182 days or more	3,973	296	3,973	296
	<b>16,628</b>	<b>8,612</b>	<b>16,628</b>	<b>8,612</b>
Impaired – mortgage loans	644	677	644	677
Impaired – overdrafts	56	-	56	-
Neither past due or impaired	1,355,391	1,342,371	1,355,391	1,342,371
Total loans and advances	<b>1,372,719</b>	<b>1,351,660</b>	<b>1,372,719</b>	<b>1,351,660</b>

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:

<b>Type of credit exposure</b>	<b>Percentage of exposure that is subject to collateral requirements</b>		<b>Principal type of collateral held</b>
	<b>2024</b>	<b>2023</b>	
Deposits with banks and short-term securities	-	-	Marketable securities
Investment securities	-	-	Marketable securities
Residential loans	100	100	Residential property
Personal loans	39	20	Residential property and/or motor vehicles
Overdrafts	99	99	Residential property
Commercial loans	95	98	Commercial and/or residential property, floating charges over business assets

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NOTES TO THE FINANCIAL REPORT

5. FINANCIAL RISK AND CAPITAL MANAGEMENT

5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

5.1.4 Credit risk (continued)

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.

<i>In thousands of AUD</i>	Consolidated		2024 \$	Bank 2023 \$
	2024 \$	2023 \$		
<b>Loan To Value Ratio</b>				
0 – 60.0%	496,843	477,036	496,843	477,036
60.01 – 80.0%	717,919	702,797	717,919	702,797
80.01 – 90.0%	71,297	101,009	71,297	101,009
>90.01%	5,424	14,749	5,424	14,749
	1,291,483	1,295,591	1,291,483	1,295,591

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.

Other deposits with banks and investment securities

<i>In thousands of AUD</i>	Consolidated		2024 \$	Bank 2023 \$
	2024 \$	2023 \$		
Long Term Credit Rating				
1 (AAA to AA-)*	91,845	91,507	91,845	91,507
2 (A+ to A-)*	104,245	104,659	104,245	104,659
3 (BBB+ to BBB-)*	-	-	-	-
Unrated	10,995	6,032	10,985	6,032
	207,085	202,198	207,085	202,198

Accrued commission receivable and other debtors

<i>In thousands of AUD</i>	Consolidated		2024 \$	Bank 2023 \$
	2024 \$	2023 \$		
Long Term Credit Rating				
1 (AAA to AA-)*	-	5	-	-
2 (A+ to A-)*	380	478	-	-
3 (BBB+ to BBB-)*	4,500	6,208	-	-
Unrated	10,620	11,328	2,545	2,975
	15,500	18,019	2,545	2,975

\* Or equivalent rating by other rating agencies

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NOTES TO THE FINANCIAL REPORT

**5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

**5.1.4 Credit risk (continued)**

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.

**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 or the comparable period.

*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.

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NOTES TO THE FINANCIAL REPORT

**5. FINANCIAL RISK AND CAPITAL MANAGEMENT**

**5.1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

**5.1.5 Liquidity risk (continued)**

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.

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 2024 there were no deposits greater than 10% of total liabilities (2023: nil).

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

<i>In thousands of AUD</i>	<b>Consolidated</b>		<b>Bank</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
High quality liquid assets	302,441	277,740	301,296	277,544
Adjusted liability base for regulatory purposes	1,351,720	1,344,148	1,350,976	1,342,421
Liquidity ratio (As at 30 June)	22.4%	20.7%	22.3%	20.7%

**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

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NOTES TO THE FINANCIAL REPORT

**5. FINANCIAL RISK AND CAPITAL MANAGEMENT**

**5.1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

**5.1.6 Operational risk (Continued)**

- 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 operations are reviewed regularly to ensure appropriate investment occurs in people, technology and processes to enhance the operational risk management framework. Security of data and restriction of access to IT systems is a key area of focus to ensure the Group continues to function and service customers and brokers effectively, without increasing risk of data breaches.

**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.

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.

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NOTES TO THE FINANCIAL REPORT

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)

<i>In thousands of AUD</i>	Consolidated			
	Fair value		Carrying amount	
	2024	2023	2024	2023
	\$	\$	\$	\$
<b>Financial assets</b>				
Cash and cash equivalents	118,352	92,573	118,352	92,573
Accrued commission receivable	242	326	242	326
Due from other financial institutions	91,972	54,620	91,972	54,620
Investment securities	110,895	142,361	115,113	147,578
Loans and advances	1,380,566	1,367,148	1,378,211	1,357,521
Total financial assets	1,702,027	1,657,028	1,703,890	1,652,618
<b>Financial liabilities</b>				
Deposits	1,269,584	1,252,737	1,270,643	1,252,260
Accrued commission payable	94	138	94	138
Other financial liabilities	321,438	285,034	321,438	285,034
Creditors and other payables	5,013	6,088	5,013	6,088
Total financial liabilities	1,596,129	1,543,997	1,597,188	1,543,520
	Bank			
<b>Financial assets</b>				
Cash and cash equivalents	110,060	90,510	110,060	90,510
Due from other financial institutions	91,972	54,620	91,972	54,620
Investment securities	110,895	142,361	115,113	147,578
Loans and advances	1,378,883	1,365,525	1,376,744	1,356,819
Other receivables	2,545	2,975	2,545	2,975
Total financial assets	1,694,355	1,655,991	1,696,434	1,652,502
<b>Financial liabilities</b>				
Deposits	1,269,584	1,252,737	1,270,643	1,252,260
Other financial liabilities	318,402	285,819	318,402	285,819
Creditors and other payables	4,923	11,440	4,923	11,440
Total financial liabilities	1,592,909	1,549,996	1,593,968	1,549,519

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NOTES TO THE FINANCIAL REPORT

**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.

*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.

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NOTES TO THE FINANCIAL REPORT

**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).

During 2023, APRA determined BNK, in regard to APS 111, should deduct from Common Equity Tier 1 Capital, the amount of the cumulative unrealised fair value losses on its debt securities portfolio. At 30 June 2024 this amounted to \$4.2m (2023: \$5.2m).

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.

<i>In thousands of AUD</i>	<b>Consolidated (Level 2)</b>		<b>Bank (Level 1)</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
			<b>\$</b>	<b>\$</b>
Tier 1 capital	94,260	93,156	91,304	91,119
Tier 2 capital	26,863	26,450	26,559	26,202
Total regulatory capital	121,123	119,606	117,863	117,321
Risk weighted assets	518,577	523,746	521,133	526,026
Capital adequacy ratio	23.36%	22.84%	22.62%	22.30%

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**

<i>In thousands of AUD</i>	<b>Note</b>	<b>Consolidated</b>			
		<b>2024</b>	<b>2023</b>		
		<b>\$</b>	<b>\$</b>		
Share capital		100,329	100,329		
Movements in ordinary shares on issue		<b>Number of shares</b>	<b>2024</b>	<b>Number of shares</b>	<b>2023</b>
			<b>\$</b>		<b>\$</b>
Beginning of the financial year		118,719,405	103,664	118,202,738	122,275
Issued during the year in a placement		-	-	500,000	375
Return of Capital		-	-	-	(18,995)
Exercise of performance rights		-	-	16,667	9
		118,719,405	103,664	118,719,405	103,664
Less equity raising costs	5.2.4	-	(3,335)	-	(3,335)
		118,719,405	100,329	118,719,405	100,329

Following the sale of Finsure in February 2022, the Group returned \$18,995,105 of equity back to shareholders through a Capital Return in November 2022 (FY23).

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NOTES TO THE FINANCIAL REPORT

**5. FINANCIAL RISK AND CAPITAL MANAGEMENT**

**5.2 CAPITAL MANAGEMENT**

**5.2.3 Share capital (Continued)**

**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.

**5.2.4 Equity raising costs**

<i>In thousands of AUD</i>	<b>Consolidated</b>	
	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Balance at the beginning of the year	3,335	3,332
Equity raising costs incurred	-	4
Deferred tax recognised directly in equity	-	(1)
Balance at the end of the year	3,335	3,335

**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.

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NOTES TO THE FINANCIAL REPORT

**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:

<i>In thousands of AUD</i>	<b>Consolidated</b>	
	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Net profit/(loss) attributable to ordinary share holders	(6,701)	(3,935)
Basic earnings per share (cents)	(5.64)	(3.32)
Diluted earnings per share (cents)	(5.64)	(3.31)
	<b>2024</b>	<b>2023</b>
Weighted average number of ordinary shares		
Issued Share Capital 1 July	118,719,405	118,202,738
Effect of performance rights exercised	-	486,576
Weighted average ordinary shares for basic earnings per share 30 June	118,719,405	118,689,314
Effect of performance rights exercised	-	28,675
Weighted average ordinary shares for diluted earnings per share 30 June	118,719,405	118,717,989

**5.4 DIVIDENDS PAID OR PROPOSED AND FRANKING ACCOUNT**

No dividend was paid or declared by the Group in the reporting period.

During the comparable period the following Dividends were paid.

<i>In thousands of AUD</i>	<b>Cents per share</b>	<b>Total amount \$</b>	<b>Date of payment</b>
Ordinary	0.34	40,359	26 July 2022
<b>Total amount</b>		<b>40,359</b>	

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NOTES TO THE FINANCIAL REPORT

**5. FINANCIAL RISK AND CAPITAL MANAGEMENT**

**5.4 DIVIDENDS PAID OR PROPOSED AND FRANKING ACCOUNT (Continued)**

Franking credit balance

<i>In thousands of AUD</i>	<b>2024</b>	<b>2023</b>
	\$	\$
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% (2023: 30%)	2,837	20,098
Franking credits utilised during Dividend distribution	-	(17,297)
Franking credits that arise from additional tax paid in prior financial years	-	36
Franking credits that will arise from the payment/(receipt) of income tax payable/receivable as at the end of the financial year	-	-
Franking credits available for subsequent reporting periods at 30% (2023: 30%)	2,837	2,837

**6. GROUP STRUCTURE**

**6.1.1 Investments in subsidiaries**

<i>In thousands of AUD</i>	Note	Bank	
		<b>2024</b>	<b>2023</b>
		\$	\$
Investments in subsidiaries at cost		19,896	19,896

Subsidiaries

Subsidiary name	Segment	Ownership	
		<b>2024</b>	<b>2023</b>
Iden Holdings Pty Ltd	Banking	100%	100%
Better Choice Home Loans Pty Ltd	Banking	100%	100%
Pioneer Mortgage Holdings Pty Ltd	Banking	100%	100%
Bullion Trust No.1	Banking	100%	100%
Primus Trust 2023-1R	Banking	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.

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.

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NOTES TO THE FINANCIAL REPORT

**7. OTHER NOTES**

**7.1 Property, plant and equipment**

<i>In thousands of AUD</i>	Note	Consolidated		2024 \$	Bank 2023 \$
		2024 \$	2023 \$		
Office equipment and leasehold improvements		206	837	78	66
Accumulated depreciation		(180)	(817)	(66)	(56)
		26	20	12	10
Motor vehicles		-	44	-	44
Accumulated depreciation		-	(34)	-	(34)
		-	10	-	10
Computer equipment and IT hardware		171	171	145	145
Accumulated depreciation		(171)	(171)	(145)	(145)
		-	-	-	-
Right of use assets		1,581	1,581	761	761
Accumulated depreciation		(1,418)	(1,121)	(694)	(561)
		163	460	67	200
<b>Total property, plant and equipment</b>		<b>189</b>	<b>490</b>	<b>79</b>	<b>220</b>

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

<i>In thousands of AUD</i>	Consolidated				
	Right of Use Asset \$	Office Equip & L/H imp \$	Motor vehicles \$	Computer equip & IT hardware \$	Total \$
Opening written down value at 1 July 2023	460	20	10	-	490
Additions	-	20	-	-	20
Disposals	-	-	(9)	-	(9)
Depreciation	(297)	(14)	(1)	-	(312)
Closing written down value at 30 June 2024	163	26	-	-	189

<i>In thousands of AUD</i>	Bank				
	Right of Use Asset \$	Office Equip & L/H imp \$	Motor vehicles \$	Computer equip & IT hardware \$	Total \$
Opening written down value at 1 July 2023	200	10	10	-	220
Additions	-	12	-	-	12
Disposals	-	-	(9)	-	(9)
Depreciation	(133)	(10)	(1)	-	(144)
Closing written down value at 30 June 2024	67	12	-	-	79

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NOTES TO THE FINANCIAL REPORT

**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 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	3-5 years	Straight-line
Right of use assets	5-6 years	Straight-line
Motor vehicles	8 years	Straight-line
Computer equipment and programs	2-3 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.

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NOTES TO THE FINANCIAL REPORT

7. OTHER NOTES

7.2 Goodwill and other intangible assets

<i>In thousands of AUD</i>	Consolidated		2024 \$	Bank 2023 \$
	2024 \$	2023 \$		
Goodwill	3,500	7,100	-	-
Brand names, trademarks and domain names	170	170	170	170
Other intangible assets	176	176	176	176
Accumulated amortisation	(75)	(57)	(75)	(57)
	101	119	101	119
<b>Total goodwill and other intangibles</b>	<b>3,771</b>	<b>7,389</b>	<b>271</b>	<b>289</b>

Reconciliation of intangible assets

<i>In thousands of AUD</i>	Consolidated					Total \$
	Goodwill \$	Brand names & trademarks \$	Software \$	Broker relationships \$	Other Intangible \$	
Balance at 1 July 2022	7,100	170	-	-	136	7,407
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Amortisation	-	-	-	-	(17)	(17)
Balance at 1 July 2023	7,100	170	-	-	119	7,389
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Amortisation/Impairment	(3,600)	-	-	-	(18)	(3,618)
Closing balance at 30 June 2024	3,500	170	-	-	101	3,771

Reconciliation of intangible assets

<i>In thousands of AUD</i>	Bank				Total \$
	Brand names & trademarks \$	Software \$	Broker relationships \$	Other Intangible \$	
Balance at 1 July 2022	170	-	-	136	306
Additions	-	-	-	-	-
Amortisation	-	-	-	(17)	(17)
Balance at 1 July 2023	170	-	-	119	289
Additions	-	-	-	-	-
Amortisation	-	-	-	(18)	(18)
Closing balance at 30 June 2024	170	-	-	101	271

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.

NOTES TO THE FINANCIAL REPORT

**7. OTHER NOTES**

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

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.

**Impairment**

During 2024, a Goodwill assessment was performed to assess driver sensitivities and their impact on the future cash flows of the Group's cash generating unit (CGU). These sensitivities considered movements in some of the key judgmental assumptions surrounding the move away from residential to higher margin lending and the impact of these changes to the future cash flows of the CGU.

The result of this assessment is that an Impairment of \$3.6m has been recognised and is included within depreciation, amortisation and impairment.

Following this impairment, the goodwill of the CGU is recognised at \$3.5m at June 2024 and will continue to be assessed at least annually in line with AASB 136.

**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:

<i><b>In thousands of AUD</b></i>	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Banking	13,500	7,100
Total goodwill	3,500	7,100

<sup>1</sup> Goodwill after the Impairment of \$3.6m has been applied during 2024.

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. This resulted in a terminal value of \$122.1m.

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.

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NOTES TO THE FINANCIAL REPORT

**7. OTHER NOTES**

**7.2 Goodwill and other intangible assets (continued)**

<b>Input</b>	<b>2024</b>	<b>2023</b>
Discount rates (post-tax)	11.8%	11.3%
Terminal value growth rate	2.5%	2.5%
Budgeted net income growth rate (average of next 5 years)	29%	26%
Budgeted cost rates (average of next 5 years)	7%	8%

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.

*Sensitivity Scenario*

Management has reviewed both the Long-term growth and discount rate included in the impairment testing. In order to demonstrate the sensitivities within the impairment testing, management has stress tested these two key assumptions to the point at which impairment would be triggered.

The two factors stress tested are Discount rate and NPAT growth rate.

<b>Input</b>	<b>Standard</b>	<b>Stressed movement +/-</b>
Discount rates (post-tax)	11.8%	2.4%
Budgeted NPAT growth rate (average of years 4-5)	54.6%	24.8%

The outcomes of these sensitivity tests are;

- A reduction in the discount rate of 2.4% to 9.34% would result in headroom of \$103m
- An increase in the discount rate of 2.4% to 14.19% would result in full impairment of the goodwill carrying value of the CGU
- An increase in the NPAT growth rates in Yrs. 4 and 5 by 24.8% would result in headroom of \$75.7m
- A reduction in the NPAT growth rates in Yrs. 4 and 5 by 24.8% would result in full impairment of the goodwill carrying value of the

Based on the above stress testing, management is satisfied that levels are appropriate and sufficient headroom remains given the approach taken during the core testing and the stress testing performed.

**7.3 Provisions**

<b>In thousands of AUD</b>	<b>Note</b>	<b>Consolidated</b>		<b>2024</b>	<b>Bank</b>
		<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Provision for annual leave		700	794	700	432
Provision for long service leave		285	382	285	97
Total provisions		985	1,176	985	529

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NOTES TO THE FINANCIAL REPORT

7. OTHER NOTES

7.3 Provisions (continued)

**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.

<i>In thousands of AUD</i>	Consolidated (\$)			Bank (\$)		
	Future minimum lease payments	Interest	Present value of lease payments	Future minimum lease payments	Interest	Present value of lease payments
Less than one year	208	3	205	89	1	88
Between one and five years	-	-	-	-	-	-

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 contract 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 7.1) 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.

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NOTES TO THE FINANCIAL REPORT

**7. OTHER NOTES**

**7.4 Leases (continued)**

*Group acting as a lessor*

At inception or on modification of a contract 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.

**7.5.1 Key Management Personnel (KMP)**

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

<i>In thousands of AUD</i>	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	2,018	2,027
Post-employment benefits	171	171
Other long-term benefits	176	224
Termination benefits	131	11
	<b>2,497</b>	<b>2,433</b>

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. The above details will differ to those detailed in notes 4.3 and 6.0 of the Remuneration report for the comparable year as only KMP's in the current year are included under the comparable period in the remuneration report.

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NOTES TO THE FINANCIAL REPORT

**7. OTHER NOTES**

**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

Grant Date	Name	Rights #	Employee #	Vesting Date	Exercised	Exercised held in Escrow	Forfeited	Balance
28/08/2020	FY20 Bonus	450,000	6	28/08/2020	255,000	-	-	-
				07/02/2022 <sup>1</sup>	-	90,000 <sup>2</sup>	-	-
				31/07/2024	-	-	65,000	40,000
1/12/2020	FY20 Bonus	125,000	1	01/12/2022	62,500	-	-	-
				07/02/2022 <sup>1</sup>	-	62,500 <sup>2</sup>	-	-
18/08/2021	TLTIP	4,950,000	9	07/02/2022 <sup>1</sup>	1,785,133	239,547 <sup>3</sup>	2,925,320	-
1/12/2021	TLTIP	1,200,000	1	07/02/2022 <sup>1</sup>	505,296	118,704 <sup>3</sup>	576,000	-
1/09/2021	FY21 Bonus	287,500	6	1/09/2021	194,885	-	-	-
				07/02/2022 <sup>1</sup>	-	38,440 <sup>2</sup>	-	-
				1/09/2025	-	-	28,550	25,625

<sup>1</sup> Final vesting date of LTI’s for Finsure executives (Finsure sale completion date).

<sup>2</sup> Options held in Escrow and will be released in line with remaining rights being 4 years from grant date.

<sup>3</sup> TLTIP shares exercised but held in Escrow and will be released on 30<sup>th</sup> June 2025.

There have been no new Share Options /Performance Rights granted during the reporting period to 30 June 2024.

Performance rights – fair value and vesting conditions

The Group had no Performance Rights expensed in the period to 30 June 2024.

Unlisted Options

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

During FY24, these options lapsed and at the reporting date there remains no unlisted options unexercised.

In the comparable period, on 18<sup>th</sup> July 2022 BP exercised a previous tranche of 500,000 unlisted options at an option price of \$0.75.

**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.

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NOTES TO THE FINANCIAL REPORT

**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.

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Total value of term and savings deposits from KMP at reporting date	94,513	96,900
Total interest paid/payable on deposits to KMP	1,569	1,386
Total value of loans to KMP at reporting date	2,658,140	2,376,140
Total interest received/receivable on loans from KMP	159,675	10,777

During the reporting period, no new loans were provided to any KMPs.

**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**

During the reporting period the Group sub-leased office space from AURA Group Services, a related entity of Mr Calvin Ng (Director). Rental income paid during the reporting period totaled \$82,342 (2023: \$42,000). There was no balance receivable at 30 June 2024 (2023: Nil).

The group received trail commission income from two wholesale related parties where BNK Directors hold key positions. Resimac Limited (Warren McLeland as BNK Director) and FirstMac Services Pty Ltd (David Gration as BNK Director), contributed \$550,478 and \$76,177 respectively of trail income commissions to the Group during FY24 (incl GST). In the comparable period FY23, only Firstmac was considered a related party upon David Gration commencing his directorship, with trail income commissions to the Group of \$17,989 received.

The group also pays Commissions to FirstMac Limited for commissions on deposits raised through BNK (David Gration as BNK Director), during FY24 BNK Paid \$243,917 and \$36,277 in FY23.

**7.6 Auditor's remuneration**

**Auditors of the Group**

During FY2024, Grant Thornton Audit Pty Ltd (Grant Thornton) was appointed as Auditor of BNK. The below disclosure reflects the total fees paid to both the outgoing Auditor, KPMG and Grant Thornton across each Finance year.

<b>In AUD</b>	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Audit and review of the financial statements	375,573	473,253
Regulatory audit services	125,191	156,475
Total audit and assurance services	1,500,764	629,728
Non-audit services	-	-
Total amounts paid to KPMG	1,500,764	629,728

<sup>1</sup> Payments made to KPMG during FY24 are in relation to the FY23 external audits fully accrued during FY23.

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NOTES TO THE FINANCIAL REPORT

**7. OTHER NOTES**

**7.6 Auditor's remuneration (continued)**

<i>In AUD</i>	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Audit and review of the financial statements	133,703	-
Regulatory audit services	44,568	-
Total audit and assurance services	178,271	-
Accounting and tax opinions	74,296	*24,983
Tax advisory services	74,296	*24,983
Total amounts paid to Grant Thornton Audit Pty Ltd	252,567	*24,983
Total audit and assurance services	679,035	629,728
Total tax advisory services	74,296	*24,983
Total amounts paid to Grant Thornton Audit Pty Ltd and KPMG	753,331	654,711

\*During FY2023, Grant Thornton performed tax advisory services to BNK (\$24,983) which were not included in this disclosure in the FY2023 Annual Report as Grant Thornton was not the auditor of BNK at that time. This disclosure now reflects those fees paid in FY2023.

Pursuant to the Company's policy, the Chair of the Audit Committee approves non-audit services prior to their commencement. The directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants. 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 (2023: \$10,000,000) with CUSCAL Ltd which is secured by a cash deposit. As at 30 June 2024, the entire facility was unused (2023: \$nil).

**7.8 Commitments and contingencies**

<i>In thousands of AUD</i>	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
(a) Capital expenditure	-	-
(b) Outstanding loan commitments		
Loans approved not advanced	2,681	14,006
Loan funds available for redraw	57,064	41,835
Unutilised overdraft limits	301	219
Total lending commitments	60,046	56,060

**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.

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NOTES TO THE FINANCIAL REPORT

**7. OTHER NOTES**

**7.9 Events subsequent to balance date**

There have been no matters or circumstances of a material nature that 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.

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**CONSOLIDATED ENTITY DISCLOSURE STATEMENT**

**As at 30 June 2024**

Set out below is a list of entities that are consolidated in this set of Consolidated financial statements at the end of the financial year.

Name of entity	Type of entity	Trustee, partner, or participant in joint venture	Place incorporated	% of share capital held	Australian or Foreign resident	Foreign tax jurisdiction of foreign residents
BNK Banking Corporation Limited	Body Corporate	n/a	Australia	100%	Australian	n/a
Iden Holdings Pty Ltd	Body Corporate	n/a	Australia	100%	Australian	n/a
Better Choice Home Loans Pty Ltd	Body Corporate	n/a	Australia	100%	Australian	n/a
Pioneer Mortgage Holdings Pty Ltd	Body Corporate	n/a	Australia	100%	Australian	n/a
Bullion Trust No.1	Trust	n/a	Australia	NA	Australian	n/a
Primus Trust 2023-1R	Trust	n/a	Australia	NA	Australian	n/a

**Basis of preparation**

This consolidated entity disclosure statement has been prepared in accordance with the Corporations Act 2001 and includes information for each entity that was part of the consolidated entity as at the end of the financial year in accordance with AASB 10 Consolidated Financial Statements.

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**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 2024 are in accordance with the Corporations Act 2001, including:
    - i. Giving a true and fair view of its financial position as at 30 June 2024 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 consolidated entity disclosure statement is true and correct as at the 30<sup>th</sup> June 2024.
  - c. 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.
  - d. 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 2024.

On behalf of the Board



Jon Denovan

Jon Denovan  
Chairman

29th August 2024

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## Independent Auditor's Report

To the Shareholders of BNK Banking Corporation Ltd

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of BNK Banking Corporation Ltd. (the Company) and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2024, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Group's financial position as at 30 June 2024 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

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

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

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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**Key audit matter****How our audit addressed the key audit matter****Loans and advances - recoverability (Note 3.2)**

The recoverability of the loan carrying values is impacted by the quality of the loan assessment and origination process, the value of security held, the performance of the loan book and factors external to the Bank, such as macro-economic conditions.

The expected credit loss (ECL) model is reliant on data inputs and assumptions, including historical data the Group used to determine probabilities of default and incorporating forward-looking information reflecting potential future economic events. This involves significant judgement applied by the Group and required by us in challenging these assumptions.

This area is a key audit matter due to the following:

- Significance of the loans and advances balance; and
- The degree of complexity and judgement applied by the Group in determining the expected credit loss (ECL) provisions, including post-model adjustments.

Our procedures included, amongst others:

- Performing a detailed walkthrough of the model and supporting scenario analysis with relevant management personnel;
- Engaging credit risk modelling experts to assess the appropriateness of the model methodology in meeting the requirements of AASB 9 *Financial Instruments*;
- Reviewing and challenging changes in assumptions year on year as well as on the management overlay;
- Recalculating management's arrears staging of the loan portfolio based on ECL stage;
- Checking the completeness & accuracy of key loan data input into the model and mathematical accuracy;
- Testing a sample of loans across each of the stages to -verify that the classification is consistent with the model; and
- Performing additional data analysis over the loan portfolio to corroborate our discussions with management and further assess any areas of emerging risk for evaluation. This includes reviewing funding during the year, loan-to-value ratio (LVR), postcodes and other attributes such as Interest only and broker loans; and
- Assessing the adequacy of the financial statement disclosures.

**Goodwill - impairment (Note 7.2)**

AASB 136 *Impairment of Assets* (AASB 136) requires goodwill acquired in a business combination and any intangible assets with an indefinite useful life to be tested for impairment on at least an annual basis. Intangible assets with a finite life are to be tested for impairment only when an indicator exists.

In calculating impairment, AASB 136 requires an entity to calculate the recoverable amount of an asset. The recoverable amount is the higher of its fair value less the cost of disposal and its value in use. Management uses a model in order to determine this amount and any corresponding impairment.

Due to the judgements and estimates required in determining the recoverable amount of intangible assets held along with the market capitalisation being lower than reported net assets, we have considered this a key audit matter.

Our procedures included, amongst others:

- Reviewing management's impairment assessment on goodwill;
- Assessing management's determination of cash generating units (CGUs) against the requirements of the accounting standards.
- Obtaining management's discounted cash flow model;
- Inquiring with management around the projections and expected future performance;
- Considering the appropriateness of inputs under AASB 136;
- Verifying the mathematical accuracy of the underlying model calculations;
- Performing a retrospective review to verify the accuracy of prior forecasts;
- Evaluating the cash flow projections and the process by which they were developed;

- Performing sensitivity analysis over the cash flow projections, discount and growth rate assumptions on CGUs to identify assumptions which are more likely to result in reduction in headroom and focus our testing in this area;
- Engaging our internal valuation specialists to determine the reasonableness of the impairment methodology adopted, review of the cash flow assumption, review of terminal year calculations and discount rates and breakeven scenario analysis; and
- Assessing the adequacy of the financial statement disclosures.

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#### Trail commission - valuation (Note 4.4.3)

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The Group receives trail commissions from lenders on loans funded externally via Better Choice Home Loans Pty Ltd. Upon initial recognition, a contract asset is recognized in accordance with AASB 15 *Revenue from Contracts with Customers* and represents the estimate of the variable consideration to be received.

The value of the trail commissions receivable and the corresponding payable is determined using a net present value (NPV) approach which includes assumptions such as discount rates, run-off rates and average loan life.

Given significant judgements and estimates are involved in estimating the net present value of the contract assets and contract liabilities, we consider this to be a key audit matter.

Our procedures included, amongst others:

- Reviewing Management's NPV assessment in line with the requirements of the accounting standards;
  - Inquiring with management to understand model methodology;
  - Evaluating the reasonableness of management's key judgements in estimating the NPV balances, including selection and application of methods/models, significant assumptions, and data sources and selection of point estimate;
  - Engaging internal valuation specialists to review the NPV calculation and challenge significant assumptions / judgements;
  - Evaluating the completeness, accuracy and relevance of data; and
  - Assessing the adequacy of the financial statement disclosures.
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#### Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2024, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

#### Responsibilities of the Directors for the financial report

The directors of the Company are responsible for the preparation of:



- a) the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 (other than the consolidated entity disclosure statement); and
- b) the consolidated entity disclosure statement that is true and correct in accordance with the Corporations Act 2001, and

for such internal control as the directors determine is necessary to enable the preparation of:

- i) the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- ii) the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial report**

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar1\\_2020.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdf). This description forms part of our auditor's report.

#### **Report on the remuneration report**

##### **Opinion on the remuneration report**

We have audited the Remuneration Report included in pages 13 to 21 of the Directors' report for the year ended 30 June 2024.

In our opinion, the Remuneration Report of BNK Banking Corporation Ltd., for the year ended 30 June 2024 complies with section 300A of the *Corporations Act 2001*.

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

*Grant Thornton*

Grant Thornton Audit Pty Ltd  
Chartered Accountants

*Claire Scott*

C L Scott  
Partner – Audit & Assurance

Sydney, 29 August 2024

**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 29th August 2024.

**(a) Distribution of equity securities**

Spread of holdings	Number of holders	Number of units	Percentage of total issued capital
1 - 1,000	124	59,254	0.05%
1,001 - 5,000	1,572	3,798,654	3.20%
5,001 - 10,000	105	852,430	0.72%
10,001 - 100,000	244	8,845,837	7.45%
100,001 +	76	105,163,230	88.58%
<b>TOTAL</b>	<b>2,121</b>	<b>118,719,405</b>	<b>100%</b>

**(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	9.49%
2	TODLAW PTY LTD	10,917,388	9.20%
3	FIRSTMAC LIMITED	10,823,650	9.12%
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,963,048	7.55%
5	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	8,196,886	6.90%
6	RESIMAC LIMITED	5,411,285	4.56%
7	RESIMAC LIMITED	4,468,902	3.76%
8	INGOT CAPITAL INVESTMENTS PTY LTD	3,150,578	2.65%
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	2,493,462	2.10%
10	CARPE DIEM ASSET MANAGEMENT PTY LTD	2,430,190	2.05%
11	NG CAPITAL MANAGEMENT PTE LTD	2,272,560	1.91%
12	HOLDING CORPORATION PTY LTD	2,059,099	1.73%
13	KOLEET PTY LTD	2,035,144	1.71%
14	AOYIN GROUP LIMITED	1,921,407	1.62%
15	NATIONALE SMSF PTY LTD	1,857,000	1.56%
16	CITICORP NOMINEES PTY LIMITED	1,624,640	1.37%
17	PYRAMID CAPITAL PTY LTD	1,581,969	1.33%
18	THORN GROUP LIMITED	1,306,251	1.10%
19	BOSS LADY HOLDING PTY LTD	1,153,333	0.97%
20	NOAH JAMES INVESTMENTS PTY LTD	1,133,721	0.96%
			<b>71.66%</b>

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