BNK Banking Corporation Limited

Level 14, 191 St Georges Terrace
Perth WA 6000

27 August 2021

BNK Banking Corporation Limited – Full Year Final Report (Appendix 4E) for the year ended 30 June 2021

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 2021 as follows:

Results for announcement to the market

Extracted from the audited Financial Statements for the year ended	**Change**	**$'000 30 June 2021**	**$'000 30 June 2020**
Revenue from operations	15.2%	363,557	315,593
Profit/(loss) after tax attributable to members	48.0%	5,659	3,824

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 2021. No dividends were paid or declared by the Company in respect of the previous year.

	$ 30 June 2021	**$ 30 June 2020**
Net Tangible Assets per share	0.74	0.67

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 27 August 2021. Two subsidiaries were disposed of during the year ended 30 June 2021 as follows:

- Australian Asset Aggregation Pty Ltd (previously 51% owned)
- Fintek Pty Ltd (previously 60% owned)

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

Malcolm Cowell
Company Secretary

BNK Banking Corporation Limited
Annual Financial Report

ABN: 63 087 651 849

30 June 2021

Contents

CORPORATE INFORMATION

ACN: 087 651 849

Directors

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

Company Secretary
Mr. Malcolm Cowell

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:
Sydney Office
Level 24, 52 Martin Place
Sydney NSW 2000

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

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

Auditors:
KPMG
300 Barangaroo Avenue
Sydney NSW 2000

Website Address:
www.bnk.com.au

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

MESSAGE FROM OUR CHAIRMAN, DON KOCH

Dear Shareholder,

BNK delivered an improved financial performance in FY21 while at the same time the Group has implemented several initiatives to create a stronger platform for future growth.

FY21 Results

Underlying Net Profit After Tax was $7.1 million which was slightly ahead of the guidance provided in May 2021. This represents an increase of 44% on the prior year. Statutory NPAT was $5.6 million compared to $3.8 million for the prior year, on a restated basis. Underlying earnings per share were 7.4 cents, up 29% from 5.7 cents in FY20.

The Company remains in a strong capital position with Capital Adequacy Ratio (Level 2) of 22%.

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

Strong Platform for Growth

During the year, the Company implemented a number of initiatives which have improved our competitive position.

We strengthened the management team with the key appointments of Brett Morgan as CEO of BNK Bank and Andrew Kitchen as Group CFO. Both Brett and Andrew have made a significant impact since joining BNK and we look forward to their continued contribution.

The Company's capital position has been bolstered with the inaugural $10 million Tier 2 subordinated notes issue and the successful completion of the $13 million capital raising in May. The equity raising has brought additional institutional shareholders to the BNK register and enhanced trading liquidity.

We commenced a securitisation program to provide further funding diversity to support growth ambitions. This included a $250 million prime residential mortgage warehouse program with Bendigo & Adelaide Bank and Blackstone and an alliance with Goldman Sachs to originate, fund and securitise residential mortgages for a securitisation program with an uncommitted facility limit of $500 million.

Both the Bank and Finsure have made significant progress during the year. BNK Bank continues to strengthen its competitive position with the BNK-funded loan book growth of 75% in FY21. The Finsure loan book now exceeds $55 billion with 2,005 brokers; up 15% on the prior year.

The combination of these two businesses creates a strong platform to generate further growth. We operate a unique model to monetise the entire lending value chain, including mortgage aggregation, product manufacturing and funding diversity. We are a fast growing and profitable group with significant growth and margin transformation opportunity ahead.

Board Changes

There were some changes to the Board during 2021.

Jon Sutton stood down as Chairman and as a Non-Executive Director in July 2021. Jon was appointed Chairman in 2019, and I wish to acknowledge and thank Jon for his significant contribution in that time.

We were pleased to welcome three new Directors to strengthen our Board with significant expertise and complementary skills. Elizabeth Aris joined the Board in June 2021 and brings extensive and diverse experience in banking, telecommunications and technology.

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

Summary

BNK made significant progress during the year in strengthening our business and I want to acknowledge our staff across the Group for their dedication and efforts.

In closing I want to thank shareholders for your continued support of the Company.

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 2021 and the auditor's report thereon.

DIRECTORS

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

Current directors

Mr Don Koch	Chairman and Non-Executive Director
Mr Peter Hall	Non-Executive Director
Mr Jon Denovan	Non-Executive Director
Ms Elizabeth Aris	Non-Executive Director (appointed 18 June 2021)
Ms Michelle Guthrie	Non-Executive Director (appointed 15 July 2021)
Mr Calvin Ng	Non-Executive Director (appointed 15 July 2021)
Mr John Kolenda	Executive Director

Don Koch (Independent Chairman and Non-Executive Director)

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

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

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

Peter Hall (Independent Non-Executive Director)

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

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

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

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

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

Mr Denovan was appointed a Director on 2 September 2019. Mr Denovan is a Special Counsel with leading national law firm, Dentons, and is a leading industry authority on regulation and compliance for the mortgage industry. He is regularly consulted by the Commonwealth Government and industry bodies on matters relevant to the National Consumer Credit Protection Act, National Credit Code, best interests obligations, amongst others.

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

DIRECTORS' REPORT (continued)

Ms 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 was recently Group Executive, Enterprise & Government at TPG Telecom. Prior to that Ms Aris held senior executive positions at Tasmanet, Trujillo Technology Group, Alcatel-Lucent (now Nokia) and Telstra, and consulting roles with Microsoft and Sprint. Ms Aris commenced her career in banking, and was a member of the Retail Bank executive team at Westpac. She has served as a Non-Executive Director in both publicly listed and private companies and spent 5 years in New York establishing a technology start up from concept to operations.

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

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

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

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

- Auckland International Airport Limited (Non-Executive Director from 2013 to 2018)
- StarHub Limited (Non-Executive Director from August 2017 to date)
- Catapult Group International Limited (Non-Executive Director from December 2019 to date)
- Mighty Kingdom Limited (from November 2020 to date)

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

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

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

John Kolenda (Executive Director)
Mr Kolenda was appointed a Director on 13 March 2018. Mr Kolenda is the Managing Director of Finsure Group, and has extensive experience in the mortgage broking and aggregation sector. Mr Kolenda was the General Manager Sales & Distribution at Aussie Home Loans for ten years from 1994, before founding X Inc, which was a successful mortgage originator before its merger with the mortgage broking operations of Ray White in 2007. Mr Kolenda founded several businesses before launching Finsure Group in 2011. Mr Kolenda co-founded and chairs Aura Group Pty Ltd, a boutique corporate advisor and investment house.

During the last three years, Mr Kolenda has served on the Board of The Agency Group Australia Limited (from December 2016 to December 2019).

DIRECTORS' REPORT (continued)

FORMER DIRECTORS

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

COMPANY SECRETARY

Malcolm Cowell
Mr Cowell was appointed as Company Secretary on 1 March 2017 and was the Chief Financial Officer of the Company until December 2018. He is a Chartered Accountant with 30 years' experience in banking and professional services, and continues to serve in the Group as General Manager, Finance.

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

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

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

	FY21	FY20 (Restated)	% change
Statutory Net Profit After Tax ($'000s)	**5,659**	**3,824**	**48%**
Revenue adjustments			
• Non-recurring gain on sale of bonds	-	(1,152)	
• ATM insurance receivable recognised	-	(2,917)	
• Disposal of subsidiary	(57)		
Expense adjustments			
• IFRS fair value adjustments from Finsure acquisition	573	480	
• Software development costs	1,832	2,281	
• Restructuring and transition costs	-	36	
• ATM operational loss	-	3,007	
Tax effect of adjustments	(888)	(617)	
Underlying Net Profit after Tax ($'000s) (Management-reported results)	**7,119**	**4,942**	**44%**

The adjustments summarised above reflect the current year (FY21) impact of:

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

Adjustments for the prior year (FY20) reflect the impact of:

- gains from trading activities being the sale of bonds:
- the expense and recovery from the ATM bailment business:
- the amortisation of fair value adjustments to intangible assets arising from the acquisition of Finsure in 2018; and
- the adoption of new accounting standard requirements mandating the expensing of software development costs that were previously eligible to be capitalised.

DIRECTORS' REPORT (continued)

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

Key Metric *Amounts in thousands of AUD*	**30 June 2021 ($'000s)**	**30 June 2020 ($000s)***	**Movement**
Net interest revenue	7,723	4,813	60.5%
Net-commission income	20,709	19,129	8.3%
Non-interest revenue	12,970	14,441	(10.2%)
Statutory net profit after tax	5,659	3,824	48.0%
Underlying net profit after tax	7,119	4,942	44.1%
Cash earnings	2,383	1,444	65.0%
On balance sheet loans – direct funded	501,705	283,561	76.9%
On balance sheet loans – warehouse funded	38,234	-	n/a
Off balance sheet lending portfolio	1,933,474	2,203,986	(12.3%)
Aggregation loan book	56,619,729	45,472,632	24.5%
Deposits	635,647	345,791	83.8%
Other key metrics			
Net interest margin (average)	1.67%	1.40%	19.3%
Cost to income ratio	72.1%	76.8%	(6.1%)
Capital adequacy ratio	22.02%	21.22%	3.8%

** Restated due to adoption of new accounting standard*

OPERATING AND FINANCIAL REVIEW

The Group recorded an underlying net profit after tax for the year ended 30 June 2021 (FY21) of $7,119,000 (2020: profit of $4,942,000), a 44% increase over the corresponding period. Statutory net profit after tax of $5,659,000 was a 48% increase on the prior period (restated) whilst cash earnings of $2,383,000 represented a 65% increase over the comparative year. Earnings per share of 5.85 cents per share was an increase of 34.4% over the prior period.

Record settlements and loan-book growth

Settlements in both the Banking and Aggregation businesses reflected the Group's ability to leverage the Australian mortgage market and execute its business strategies. As a bank and mortgage broking aggregator, BNK has continued to execute its post-merger strategies of increasing broker numbers and originating a higher proportion of loans on balance sheet. Higher residential sales and refinancing activity enabled the Group to increase its penetration and grow market share across the country.

Settlements through Finsure's platform of $22.2b represented a 42.4% increase on the prior year with the number of accredited brokers increasing by 15% year on year to 2,005. Finsure's total loan book of $56.6b represents a 24.5% increase over the prior year reflecting the improved productivity of the brokers and attractiveness of Finsure's award winning service offering.

The Banking division experienced increased settlements of on balance sheet loans, with the direct funded loan book increasing 76.9% year on year. The distribution capability of the Group's Better Choice brand combined with capital and deposit raising initiatives during the year were key enables of this growth. Deposit growth of 83.8% at a reduced cost of funds led to a 27bps improvement in net interest margin to 1.67%. In May 2021, the Group launched its first securitisation warehouse arrangement funded by Bendigo & Adelaide Bank and Blackstone. The warehouse further diversifies the Group's funding sources in a capital efficient manner. Loans originated into the warehouse are accounted for on balance sheet but the Group has achieved regulatory capital relief for the structure. The objective is to securitise the warehouse when balances outstanding approach the facility's $250m limit.

Total lending settlements for the Banking division of $562m represented a 25.5% increase on the prior year. On balance sheet settlements of $322.5m (for directly funded and warehouse funded loans) represented a 150% increase on the comparative year driving the 60.5% increase in net interest income. The total loan book for the Banking division of $2.4b remained flat, however the pivot to higher margin on balance sheet lending resulted in improved cash returns from the portfolio.

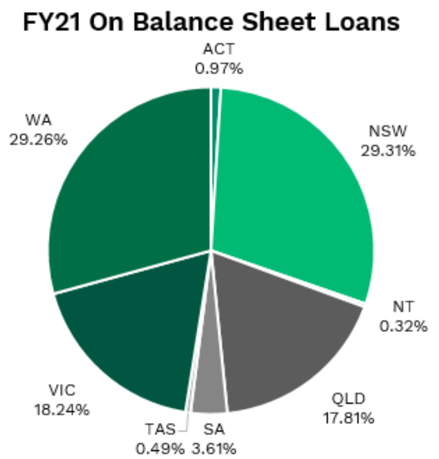
DIRECTORS' REPORT (continued)

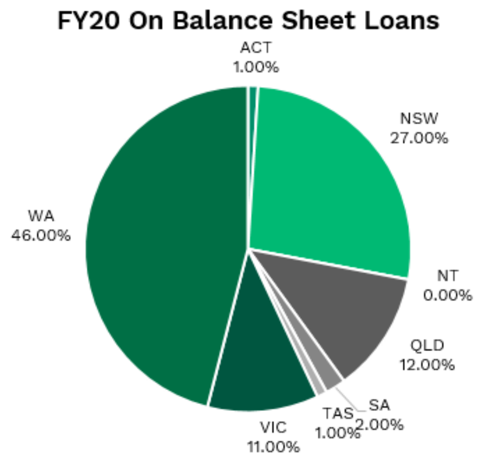
OPERATING AND FINANCIAL REVIEW (continued)

Strong credit quality

Notwithstanding the growth experienced in the on balance sheet loan book during the year, credit quality remains sound with loans greater than 90 days arrears remaining low at 0.4% (2020: 0.4%) of gross on balance sheet loans and advances. Despite the ongoing prevalence of COVID-19 in the community, the Company's loan customers continue to perform with no customers subject to repayment deferral arrangements at 30 June 2021. The Company continues to adopt prudent credit loss provisions equivalent to 20 basis points (2020: 26 basis points) of direct funded loans and advances.

The diversification of the on balance sheet loan book has continued with the relative exposure to the Company's historic home state of Western Australia continuing to reduce. The reduced concentration to Western Australia derisks the balance sheet for the longer term and evidences the Company's move to be a national lender.





Funding effectively for growth

Deposits comprise at-call accounts and term deposits which are sourced directly from retail customers and through various deposit brokers. The Bank benefited from the continued supply of liquidity into the market by the RBA, and demand for transactional accounts from SME customers. The Bank continues to grow its deposit base, and transform its funding mix. The low interest rate environment, active management and growth of the at-call deposit portfolio resulted in a reduction in the Bank's cost of funds.

Deposit balances grew by 83.8% during the year to $635.6m with transaction accounts now comprising 62.5% of total deposits (2020: 35.3%). During the year, the Bank drew down on a further entitlement under the Reserve Bank of Australia's Term Finance Facility, which provides Australian banks low cost funding for 3 years. This initiative was launched in 2020 as part of the Commonwealth Government's response to COVID-19. The drawn entitlement of $13.8m has a weighted average cost of 0.18% and is repayable in 2023.

The combination of growing the Bank's deposit customer base at a lower cost and diversifying funding sources has resulted in total interest expense (excluding interest on lease liabilities) reducing 38%, a significant contribution to the improved net interest margin. The weighted average interest rate on deposits at balance date was 0.45% (2020: 1.30%).

DIRECTORS' REPORT (continued)

OPERATING AND FINANCIAL REVIEW (continued)

Liquidity investments

The Group's cash and liquidity investments predominantly comprise physical cash, at call deposits, negotiable certificates of deposits, government (including semi-government) bonds, and floating rate notes. Liquidity management falls under the remit of Asset & Liability Committee (ALCO), which ensures the Group operates within its policy settings. ALCO also reviews and approves changes in product level interest rates and the implementation of new products. The increase in liquidity assets during the year to $156.8m reflects the strong increase in deposits and the requirement to maintain minimum liquidity holdings in accordance with Prudential Standards. The Australian banking system experienced significant levels of excess liquidity during the year supported by the RBA's Term Finance Facility and other initiatives. Interest income from liquidity investments of $0.53m (2020: $0.75m) represented a 29.6% reduction on the prior year reflecting the significant reduction in market yields during the year.

Operating expenses

The Group continued to invest in its people and processes, with operating expenses (excluding software development costs) increasing by 8.8% to $30.1m. This included recruitment of the new management team and building the Bank team to scale to accommodate continued growth. Disciplined cost management processes have been reinforced across the Group and discretionary expenditure curtailed where possible without undue detriment to the business. This has resulted in the Group having a Cost to Income ratio of 72.1%, a reduction of 6.1% on the prior year.

A change in accounting standards announced in 2021 has resulted in the retrospective adjustment of capitalised software costs. This has resulted in costs previously eligible for capitalisation for cloud-based Software as a Service ("SaaS") now being expensed. The Group has restated its comparative opening retained earnings and comparative profit and loss for the effect of this accounting change. Whilst software development costs have increased in the current and previous year, the accounting change results in a reduced amortisation charge going forward.

Capital

The Group's policy is to maintain a minimum capital adequacy ratio (CAR) as per APRA required levels. The CAR at 30 June 2021 of 22.0% presents the Group with further growth opportunity for both on-balance sheet lending assets as well as investing in growth. This provides the means for the Group to generate organic capital.

The Group completed an equity placement in May 2021, raising $13m of new share capital in an oversubscribed bid process managed by Bell Potter.

The Bank launched its first wholesale funding arrangement during the year through the issue of $10m of floating rate subordinated notes. The notes further diversify the Bank's sources of funding. Further offerings will be contemplated in the future. Whilst classified as a liability in the financial report, the notes meet the eligibility criteria to be included in the Bank's Tier 2 capital for regulatory capital purposes, and are repayable in 2031.

DIRECTORS' REPORT (continued)

DIVIDENDS
No dividend was paid or declared by the Company in the period 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 2021.

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

	Number of ordinary shares	Number of options or performance rights over ordinary shares
Don Koch	-	-
Peter Hall	72,034	-
Jon Denovan	-	-
Elizabeth Aris	10,000	-
Michelle Guthrie	-	-
Calvin Ng	8,484,486	
John Kolenda	13,302,952	125,000

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

SHARE OPTIONS AND RIGHTS OVER SHARES
The Company has 1,215,000 performance rights on issue to certain key management personnel and employees. The performance rights entitle the holder to a grant of shares subject to certain conditions being met. Refer to the Remuneration Report for further details.

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

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

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

	Board		Audit Committee		Risk & Compliance Committee		Remuneration Committee		Credit Committee	
	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible
J Sutton	13	13	6	6	5	5	6	6	3	3
D Koch	13	13	6	6	5	5	6	6	3	3
P Hall	12	13	6	6	5	5	6	6	3	3
J Denovan	12	13	6	6	6	6	-	-	2	3
J Kolenda	13	13	4*	-	3*	-	4*	-	1*	-
E Aris	1	1	-	-	-	-	-	-	-	-

* Attendance by invitation.

DIRECTORS' REPORT (continued)

CHANGES IN THE STATE OF AFFAIRS

On 1 February 2021, the Company completed an issuance of 10-year floating rate subordinated notes to sophisticated and wholesale investors, raising $8,750,000 (before costs). The notes are eligible to be classified as Tier 2 capital and will pay interest to holders quarterly at a floating rate of 90-day BBSW plus a margin of 5.40%.

On 21 April 2021, the Company announced it had entered into a $250,000,000 prime residential securitisation warehouse facility funded by Bendigo & Adelaide Bank and Blackstone. The first drawdown under the facility occurred on 20 May 2021.

On 13 May 2021, the Company completed an issuance of 10-year floating rate subordinated notes to sophisticated and wholesale investors, raising a further $1,250,000 (before costs). The notes are eligible to be classified as Tier 2 capital and will pay interest to holders quarterly at a floating rate of 90-day BBSW plus a margin of 5.40%.

On 19 May 2021, the Company announced it had entered into an alliance with global investment bank, Goldman Sachs for the origination and servicing of a $500,000,000 securitisation program funded by Goldman Sachs.

On 31 May 2021, the Company completed an equity raise of $13,000,400 (before costs) to institutional, sophisticated and wholesale investors. 18,572,000 shares were issued on 1 June 2021.

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

EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 7 July 2021, Mr Jon Sutton resigned as Chairman and Director of the Company. On the same date, Ms Michelle Guthrie and Mr Calvin Ng were appointed as Directors which became effective on 15 July 2021, following the receipt of APRA approval.

On 4 August 2021, the Company announced it had reached agreement with Goldman Sachs for an alliance to originate and service specialist residential mortgages funded by Goldman Sachs.

On 18 August 2021, the Company issued 4,950,000 performance rights to executives under the BNK Transformational Long-Term Incentive Scheme.

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

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

ENVIRONMENTAL REGULATIONS AND ADDRESSING CLIMATE RISK
The Company's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

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

in the financial years subsequent to this financial year.

DIRECTORS' REPORT (continued)

NON-AUDIT SERVICES

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

Details of the amounts paid to the auditor of the Company, KPMG for audit and non-audit services for the year ended 30 June 2021:

	$
Non audit services	
Accounting and tax opinions	25,047
Audit and assurance services	
Audit and review of financial statements	335,716
Regulatory assurance services	111,000
Total audit and assurance services	446,716
Total amounts paid to KPMG	**471,763**

AUDITORS INDEPENDENCE DECLARATION

The lead auditor's independence declaration provided in accordance with S307C of the Corporations Act 2001 is set out on page 27 and forms part of the Directors' report for the financial year ended 30 June 2021.

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

ROUNDING OFF

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

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED)

This Remuneration Report for the year ended 30 June 2021 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 2021 (including link to performance)
5. Executive contracts
6. Non-executive director remuneration (including statutory remuneration disclosures)
7. Additional disclosures relating to options, performance rights and shares
8. Loans to key management personnel and their related parties
9. Other transactions and balances with key management personnel and their related parties
10. Remuneration incentives approved subsequent to balance date

1. Introduction

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

The table below outlines the KMP of the Group and their relevant changes during the year ended 30 June 2021:

Non-Executives

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

[1] Interim Chief Executive Officer from 25 May 2020 to 12 October 2020.

Executives

Executive	Position	Appointment date	Resignation/completion date
Brett Morgan	Chief Executive Officer, Banking and Wholesale	12 October 2020	-
John Kolenda	Executive Director and Chief Executive Officer, Finsure	13 March 2018	-
Allan Savins	General Manager, Banking & Wholesale	17 September 2018	-
Simon Bednar	General Manager, Aggregation	17 September 2018	-
Jussi Nunes	Chief Financial Officer	10 December 2018	5 September 2020
Malcolm Cowell	Interim Chief Financial Officer	5 September 2020	19 October 2020
Andrew Kitchen	Chief Financial Officer	26 October 2020	-
Steve Ellis	Chief Risk Officer	17 July 2016	6 October 2020
Gerard Ng	Interim Chief Risk Officer	6 October 2020	12 December 2020
Dara Wettner	Chief Risk Officer	11 January 2021	-
Lisa Stedman	Chief Operating Officer	10 July 2019	29 August 2020
Amber Smith	Chief Operating Officer	12 October 2020	-

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED)

2. Remuneration governance

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

Remuneration Committee

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

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

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

Use of remuneration consultants

To ensure the Remuneration Committee is fully informed when making remuneration decisions, the Remuneration Committee may seek external remuneration advice. During the year, the Remuneration Committee engaged EY to assist with the formulation and documentation of a Transformational Long-Term Incentive Plan (TLTIP) for the Executive Leadership Team (ELT). This engagement was undertaken to ensure the TLTIP is consistent with market practice and complies with the requirements of the Banking Executive Accountability Regime (BEAR).

EY was paid $20,620 for these services.

The engagement by the Remuneration Committee was based on an agreed set of protocols that would be followed by EY, members of the Remuneration Committee and members of the key management personnel for the way in which remuneration recommendations would be developed and provided to the Board.

The protocols included the prohibition of EY providing advice or recommendations to key management personnel prior to the advice or recommendations being provided to the Remuneration Committee and not unless EY had approval from the Remuneration Committee. These arrangements were implemented to ensure that EY would be free to carry out its work free from undue influence by members of the key management personnel about whom the recommendations may relate.

The Board is satisfied that the recommendations by EY were free from undue influence of members of the key management personnel about whom the recommendations may relate. The recommendations and advice provided by EY have been implemented subsequent to 30 June 2021 (refer to the Events Subsequent to the End of the Financial Year section of the Director's Report and Note 7.9 to the Financial Report).

Remuneration Report approval at 2020 Annual General Meeting (AGM)

The 2020 Remuneration Report received positive shareholder support at the 2020 AGM with a vote of 96.4%.

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:

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED)

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

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

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

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

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. Incentives are awarded in accordance with the requirements of the Banking Executive Accounting Regime (BEAR). The BEAR was implemented in Australia to establish clear and heightened expectations of accountability for directors and executives of Authorised Deposit-taking Institutions, and to ensure there are clear consequences in the event of a material failure to meet those expectations. BEAR applies to BNK from 1 July 2019 and results in a proportion of variable remuneration for a year being deferred for a period of 4 years from grant date.

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

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

In FY21, the Board recognised the achievement of several initiatives that will contribute to the transformational change of the Group over the coming years that are expected to result in the generation of significant shareholder value. These initiatives include:

- The implementation of a securitisation warehouse program;
- The implementation of an alliance program with Goldman Sachs;
- Completion of the Bank cover banking system upgrade; and
- The potential realisation of value from the Group's existing asset base.

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

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

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

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

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

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

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED)

Hedging of equity awards

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

4.1 Executive remuneration outcomes for 2021 (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:

	2021	2020 Restated	2019	2018	2017
Profit/(loss)	5,659,000	3,824,000	3,614,000	(406,000)	(996,000)
Dividends paid	Nil	Nil	Nil	Nil	Nil
Share price at balance date	$0.735	$0.43	$0.64	$1.28	$1.00
Return on capital employed	4.42%	3.50%	3.60%	(1.65%)	(4.93%)

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

During the year ended 30 June 2021, the Group invested significantly in the executive team with new hires for the following roles:

- Chief Executive Officer, Bank and Better Choice
- Chief Financial Officer
- Chief Risk Officer
- Chief Operating Officer

The new talent have already made a significant impact to the direction and operation of the Bank, helping to enhance the strategic, operational, risk management and financial processes of the Group. Key to the ongoing success of retaining and motivating the executive team to deliver improved returns for shareholders is the LTI Scheme described above. For the year ended 30 June 2021, reward outcomes have been determined by the Remuneration Committee having regard to the following:

- Delivery of significant change to the Group including the negotiation and documentation of the securitisation programs with Bendigo & Adelaide Bank and Goldman Sachs
- The strong financial performance of the Finsure aggregation business
- Enhanced risk management function and processes

Rewards approved at the July 2021 Remuneration Committee will be detailed in the next Remuneration Report, but are summarised as follows:

- Payment of STIs to 7 executives totaling $635,000, a portion of which is required to be deferred for 4 years under the BEAR regime;
- Issuance of LTIs to 9 executives on the terms set out above.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED)

4.1 Remuneration of key management personnel

		Short-term benefits					Post-employment	Other long term	Shared-based payments	Termination	Total	Performance related
		Salary & fees	STI (A)	Cash bonus	Non-monetary benefits (B)	Total	Superannuation	Long service leave	LTI (C)			
		$	$	$	$	$	$	$	$	$	$	%
Current Executives	**Year**											
Brett Morgan[1]	**2021**	**306,359**	**-**	**-**	**7,083**	**313,442**	**16,271**	**-**	**-**	**-**	**329,713**	**-**
John Kolenda	**2021**	**660,000**	**47,500**	**-**	**20,000**	**727,500**	**-**	**-**	**7,699**	**-**	**735,199**	**8%**
	2020	627,000	-	-	15,000	642,000	-	-	-	-	642,000	-
Andrew Kitchen[2]	**2021**	**211,559**	**-**	**-**	**5,833**	**217,392**	**15,780**	**-**	**-**	**-**	**233,172**	**-**
Dara Wettner[3]	**2021**	**121,246**	**-**	**-**	**-**	**121,246**	**10,962**	**-**	**-**	**-**	**132,208**	**-**
Amber Smith[4]	**2021**	**167,651**	**-**	**-**	**2,861**	**170,512**	**14,668**	**-**	**-**	**-**	**185,180**	**-**
Allan Savins	**2021**	**366,035**	**24,000**	**-**	**-**	**390,035**	**33,260**	**6,806**	**36,022**	**-**	**466,123**	**12%**
	2020	358,327	-	20,000	-	378,327	36,841	4,828	66,057	-	486,053	19%
Simon Bednar	**2021**	**330,003**	**30,000**	**-**	**-**	**360,003**	**30,875**	**8,380**	**37,330**	**-**	**436,588**	**15%**
	2020	281,568	-	-	5,010	286,578	27,313	16,151	66,057	-	396,099	17%

[1] Appointed Chief Executive Officer from 12 October 2020
[2] Appointed Chief Financial Officer from 26 October 2020
[3] Appointed Chief Risk Officer from 11 January 2021
[4] Appointed Chief Operating Officer from 12 October 2020

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

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED)

		Short-term benefits					Post employment	Other long term	Shared-based payments	Termination	Total	Performance related
		Salary & fees	STI (A)	Cash bonus	Non-monetary benefits (B)	Total	Superannuation	Long service leave	LTI (C)			
		$	$	$	$	$	$	$	$	$	$	%
Former Executives	**Year**											
Don Koch[1]	**2021**	**132,685**	**-**	**-**	**-**	**132,685**	**11,479**	**-**	**-**	**-**	**144,164**	**-**
	2020	33,720	-	-	-	33,720	3,203	-	-	-	36,923	-
Jussi Nunes[2]	**2021**	**86,999**	**-**	**-**	**-**	**86,999**	**14,101**	**-**	**-**	**100,000**	**201,100**	**-**
	2020	344,846	-	25,000	7,500	377,346	32,760	834	-	-	410,940	6%
Malcolm Cowell[3]	**2021**	**28,846**	**-**	**-**	**287**	**29,133**	**2,740**	**-**	**3,863**	**-**	**35,736**	**11%**
Steve Ellis[4]	**2021**	**77,743**	**-**	**-**	**-**	**77,743**	**5,305**	**-**	**-**	**-**	**83,048**	**-**
	2020	223,385	-	-	-	223,385	21,222	171	27,140	-	271,918	10%
Gerard Ng[5]	**2021**	**48,653**	**-**	**-**	**-**	**48,653**	**4,622**	**-**	**-**	**-**	**53,275**	**-**
Lisa Stedman[6]	**2021**	**48,843**	**36,000**	**-**	**-**	**84,843**	**4,385**	**-**	**-**	**-**	**89,228**	**40%**
	2020	282,692	-	-	-	282,692	26,856	-	-	-	309,548	-
Simon Lyons	2020	448,557	-	50,000	76,137	574,694	38,285	(40,129)	40,680	212,500	826,030	11%
Total KMP remuneration	**2021**	**2,586,622**	**137,500**	**-**	**36,064**	**2,760,186**	**164,448**	**15,186**	**84,914**	**100,000**	**3,124,734**	**7%**
	2020	2,600,095	-	95,000	103,647	2,798,742	186,480	(18,145)	199,934	212,500	3,379,511	9%

[1] Interim Chief Executive Officer from 26 May 2020 to 12 October 2020
[2] Resigned 5 September 2020
[3] Interim Chief Financial Officer from 5 September 2020 to 26 October 2020
[4] Resigned 6 October 2020
[5] Interim Chief Risk Officer from 6 October 2020 to 12 December 2020
[6] Resigned 29 August 2020

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

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED)

4.2 Analysis of bonuses included in remuneration – audited

No cash bonuses were awarded to KMP in FY21.

4.3 Equity instruments - audited

Performance rights refer to rights over ordinary shares of BNK, which vest on a one-for-one basis under the BNK Equity Incentive Plan.

4.3.1 Rights over equity instruments granted as compensation – audited

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

Participant	Number granted FY21	Vesting condition	Grant date	Fair value at grant date ($)	Expiry date
Lisa Stedman	120,000	Service and performance	28 August 2020	0.60	29 Nov 2023
Allan Savins	80,000	Service and performance[1]	28 August 2020	0.60	31 March 2025
Simon Bednar	100,000	Service and performance[1]	28 August 2020	0.60	31 March 2025
John Kolenda	125,000	Service and performance[1]	1 December 2020	0.76	31 March 2025

[1] Refer to note 7.4.3 for further information of the vesting conditions.

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

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

Participant	Number	Grant date	% vested FY21	% forfeited FY21	Financial years in which grant vests
Steve Ellis[1]	50,000	1 November 2018	100%	0%	2021
Lisa Stedman[2]	120,000	28 August 2020	50%	50%	2021
Allan Savins	66,666	16 April 2019	100%	0%	2020
	66,667	16 April 2019	100%	0%	2021
	66,667	16 April 2019	0%	0%	2022
	16,667	5 December 2019	100%	0%	2021
	16,667	5 December 2019	0%	0%	2022
	16,666	5 December 2019	0%	0%	2023
	40,000	28 August 2020	100%	0%	2021
	40,000	28 August 2020	0%	0%	2025

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED)

4.3.2 Details of equity incentives affecting current and future remuneration – audited (continued)

Participant	Number	Grant date	% vested FY21	% forfeited FY21	Financial years in which grant vests
Simon Bednar	66,666	16 April 2019	100%	0%	2020
	66,667	16 April 2019	100%	0%	2021
	66,667	16 April 2019	0%	0%	2022
	16,667	5 December 2019	100%	0%	2021
	16,667	5 December 2019	0%	0%	2022
	16,666	5 December 2019	0%	0%	2023
	50,000	28 August 2020	100%	0%	2021
	50,000	28 August 2020	0%	0%	2025
Jussi Nunes[3]	16,667	5 December 2019	0%	100%	2021
	16,667	5 December 2019	0%	100%	2022
	16,666	5 December 2019	0%	100%	2023
John Kolenda[4]	62,500	1 December 2020	100%	0%	2021
	62,500	1 December 2020	0%	0%	2025

[1] Ceased to be an executive on 6 October 2020.
[2] Ceased to be an executive on 28 August 2020.
[3] Ceased to be an executive on 5 September 2020.
[4] Issued following approval by shareholders at the Company's 2020 Annual General Meeting.

4.3.3 Analysis of movements in equity instruments – audited

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

Current key management personnel

Participant	Granted in year $ (A)	Value of rights exercised in year $ (B)
Allan Savins	48,000	88,800
Simon Bednar	60,000	94,666
John Kolenda	95,000	-

Former key management personnel

Participant	Granted in year $ (A)	Value of rights exercised in year $ (B)
Simon Lyons	-	414,000
Lisa Stedman	36,000	39,600
Steve Ellis	-	116,375

(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.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED)

4.3.4 Summary of rights holdings

Current key management personnel

Participant	Held at 1 July 2020	Granted as remuneration	Exercised	Lapsed	Forfeited	Held at 30 June 2021	Vested during the year	Vested and exercisable at 30 June 2021
Allan Savins	183,334	80,000	(123,334)	-	-	140,000	123,334	-
Simon Bednar	183,334	100,000	(133,334)	-	-	150,000	133,334	-

Former key management personnel

Participant	Held at 1 July 2020	Granted as remuneration	Exercised	Lapsed	Forfeited	Held at 30 June 2021	Vested during the year	Vested and exercisable at 30 June 2021
Simon Lyons	766,667	-	(766,667)	-	-	-	-	-
Steve Ellis	175,000	-	(175,000)	-	-	-	-	-
Lisa Stedman	-	120,000	(60,000)	-	(60,000)	-	60,000	-
Jussi Nunes	50,000	-	-	-	(50,000)	-	-	-

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
Brett Morgan	$400,000 plus superannuation	None	Continuing with 3 months' notice by either party
John Kolenda	Consultancy agreement totaling $660,000 per annum	None	Continuing with 1 month notice by either party
Andrew Kitchen	$300,000 plus superannuation	None	Continuing with 3 months' notice by either party
Dara Wettner	$250,000 plus superannuation	None	Continuing with 3 months' notice by either party
Amber Smith	$220,000 plus superannuation	None	Continuing with 3 months' notice by either party
Allan Savins	$350,000 plus superannuation	None	Continuing with 1 month notice by either party
Simon Bednar	$325,000 plus superannuation	None	Continuing with 1 month notice by either party

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED)

6. Non-executive director remuneration arrangements - Audited

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

The Company's constitution and the ASX listing rules specify that the NED fee pool shall be determined from time to time by a general meeting. The latest determination was at the 2018 AGM held on 9 November 2018 when shareholders approved an aggregate fee pool of $650,000 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 2021:

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

NEDs receive superannuation contributions of 9.5% (10% from 1 July 2021) of earnings but do not receive any other retirement benefits, nor do they participate in any incentive programs.

The remuneration of NEDs for the years ended 30 June 2021 and 30 June 2020 is detailed in table below.

		Short-term benefits			Post-employment	Long-term benefits	
		Salary & fees $	Non-monetary benefits	Other[7]	Superannuation	Long service leave	Total
Non-executive directors							
Jon Sutton[1]	**2021**	**142,813**	**-**	**-**	**13,567**	**-**	**156,380**
	2020	79,717	-	-	7,573	-	87,290
Don Koch[2]	**2021**	**62,707**	**-**	**-**	**5,957**	**-**	**68,664**
	2020	63,000	-	-	5,985	-	68,985
Peter Hall	**2021**	**86,809**	**-**	**-**	**8,247**	**-**	**95,056**
	2020	67,667	-	-	6,428	-	74,095
Jon Denovan[3]	**2021**	**77,821**	**-**	**-**	**7,393**	**-**	**85,214**
	2020	56,000	-	-	5,320	-	61,320
Elizabeth Aris[4]	**2021**	**2,301**	**-**	**-**	**219**	**-**	**2,520**
Former directors							
Peter Wallace[5]	2020	54,167	-	-	5,146	-	59,313
Derek La Ferla[6]	2020	11,667	-	-	1,108	-	12,775
Total	**2021**	**372,451**	**-**	**-**	**35,383**	**-**	**407,834**
	2020	332,217	-	-	31,561	-	363,777

[1] Appointed 22 October 2019 and retired as a Director on 7 July 2021
[2] Remuneration for the period 1 July 2019 to 25 May 2020 as a NED and from 12 October 2021
[3] Appointed 2 September 2019
[4] Appointed 18 June 2021
[5] Retired as a Director on 26 November 2019
[6] Retired as a Director on 30 August 2019

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

2021	Balance at the start of the year or commencement date	Acquired	Other movement	Balance at the end of the year or date of resignation
Directors				
Peter Hall	72,034	-	-	72,034
John Kolenda	13,302,952	-	-	13,302,952
Don Koch	-	-	-	-
Jon Sutton	60,000	-	-	60,000
Jon Denovan	-	-	-	-
Elizabeth Aris	10,000	-	-	10,000

2021	Balance at the start of the year or commencement date	Acquired through exercise of vested performance rights	Other movement	Balance at the end of the year or date of resignation
Executives				
Brett Morgan	-	-	11,380	11,380
Dara Wettner	-	-	-	-
Amber Smith	-	-	-	-
Allan Savins	1,394,605	123,334	-	1,517,939
Simon Bednar	1,219,999	133,334	(9,666)	1,343,667

8. Loans to key management and their related parties

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

Aggregate	Balance at beginning of period/KMP appointment	Interest charged during KMP period	Write-off or allowance for doubtful debt	Balance at end of period	Number of KMP in group
2021	492,354	33,464	-	483,768	1

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

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

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

During the period, the Group sub-leased office space to Aura Group Pty Ltd, a related entity of Mr John Kolenda. Rental income and recharges received during the period totaled $446,457 (2020:$446,325) and the balance receivable at 30 June 2021 was $21,570.

During the period, the Group paid $42,175 to Shadow Charters Pty Ltd, a related entity of Mr John Kolenda for boat charter services.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED)

10. Remuneration incentives approved subsequent to balance date

Subsequent to 30 June 2021, the Remuneration Committee recommended the following incentives to the Board for members of the Executive Leadership Team.

Executive	Award
Brett Morgan	Short-term incentive of $100,000 with a portion to be deferred in accordance with BEAR requirements.
John Kolenda	Short-term incentive of $200,000 with a portion to be deferred in accordance with BEAR requirements.
Simon Bednar	Short-term incentive of $150,000 with a portion to be deferred in accordance with BEAR requirements. Vesting of second tranche of FY19 Bonus performance rights.
Allan Savins	Short-term incentive of $100,000 with a portion to be deferred in accordance with BEAR requirements. Vesting of second tranche of FY19 Bonus performance rights.
Dara Wettner	Short-term incentive of $10,000 with a portion to be deferred in accordance with BEAR requirements.

End of Remuneration Report

Signed in accordance with a Resolution of Directors

Don Koch - Chairman

Dated this 27th day of August 2021

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

To the Directors of BNK Banking Corporation Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of BNK Banking Corporation Limited for the financial year ended 30 June 2021 there have been:

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

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

KPMG

KPMG

Nicholas Buchanan

Partner

Sydney

27 August 2021

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2021

		Consolidated		Bank	
In thousands of AUD	**Note**	**2021**	**2020 Restated**	**2021**	**2020 Restated**
		$	**$**	**$**	**$**
Interest revenue from banking activities	2.2	11,417	10,643	10,785	10,568
Interest expense from banking activities	2.2	(3,694)	(5,830)	(3,521)	(5,612)
Net interest income	2.2	7,723	4,813	7,264	4,956
Commission income	2.2	339,170	290,509	-	-
Commission expense	2.2	(318,461)	(271,380)	(712)	(475)
Net commission income/(expense)		20,709	19,129	(712)	(475)
Other income	2.2	12,970	14,441	5,199	4,951
Total net revenue		**41,402**	**38,383**	**11,751**	**9,432**
Operating expenses	2.3	(32,063)	(30,000)	(10,174)	(9,866)
Impairment of loans, advances and other receivables		(437)	(634)	(384)	(584)
Impairment of insurance receivable and ATMs	4.1.1	(881)	-	(881)	-
Impairment of bailment cash	4.1.1	-	(2,923)	-	(2,923)
Profit/(Loss) before income tax from continuing operations		**8,021**	**4,826**	**312**	**(3,941)**
Income tax (expense)/benefit	2.4.1	(2,362)	(1,002)	1,013	495
Profit/(Loss) for the period attributable to equity holders of the parent		**5,659**	**3,824**	**1,325**	**(3,446)**
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss, net of income tax					
Net change in fair value of financial assets – OCI	4.2	-	(48)	-	-
Total comprehensive income for the period		**5,659**	**3,776**	**1,325**	**(3,446)**
Basic earnings per share (cents)	5.3	5.85	4.35		
Diluted earnings per share (cents)	5.3	5.77	4.28		

Comparative balances restated due to the adoption of a new/revised accounting policy – refer to note 8.1

The accompanying notes form part of these financial statements

STATEMENTS OF FINANCIAL POSITION
As at 30 June 2021

		Consolidated		Bank	
In thousands of AUD	**Note**	**2021**	**2020 Restated**	**2021**	**2020 Restated**
		$	**$**	**$**	**$**
ASSETS					
Cash and cash equivalents	4.1.1	47,285	18,122	41,591	15,853
Due from other financial institutions	4.2	8,820	33,335	8,820	33,335
Other financial assets	4.2	148,148	38,231	148,148	38,138
Loans and advances	3.1	539,939	283,561	541,527	285,206
Commissions and other receivables	4.4.1	25,607	25,423	7,361	6,559
Contract assets	4.4.3	505,706	387,197	-	-
Investment in subsidiaries	6.1.1	-	-	61,925	61,925
Property, plant and equipment	7.1	2,646	3,808	538	744
Goodwill and other intangible assets	7.2	43,689	44,432	324	162
Deferred tax assets	2.4.2	-	-	2,121	2,572
TOTAL ASSETS		**1,321,840**	**834,109**	**812,355**	**444,494**
LIABILITIES					
Deposits	4.3	635,647	345,791	635,647	345,791
Other financial liabilities	4.5	61,258	-	61,646	-
Commissions and other payables	4.4.2	27,592	22,682	3,665	1,785
Contract liabilities	4.4.3	453,381	342,954	-	-
Current tax liability		-	-	-	-
Provisions	7.3	1,678	1,308	299	219
Deferred tax liabilities	2.4.2	14,310	12,133	-	-
TOTAL LIABILITIES		**1,193,866**	**724,868**	**701,257**	**347,795**
NET ASSETS		**127,974**	**109,241**	**111,098**	**96,699**
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS					
Contributed equity					
Issued capital, net of raising costs	5.2.2	116,728	103,516	116,728	103,516
Reserves		1,234	1,232	1,234	1,372
Retained earnings		10,012	4,493	(6,864)	(8,189)
TOTAL EQUITY		**127,974**	**109,241**	**111,098**	**96,699**

Comparative balances restated due to the adoption of a new/revised accounting policy – refer to note 8.1

The accompanying notes form part of these financial statements

STATEMENTS OF CHANGES IN EQUITY

For the year ended 30 June 2021

In thousands of AUD

Consolidated

Attributable to equity holders	**Note**	**Issued Capital**	**Equity Raising Costs**	**Treasury Shares**	**P,P & E Revaluation Reserve**	**Financial Assets Revaluation Reserve**	**General Reserve for Credit Losses**	**Share-based Payments Reserve**	**Retained Earnings**	**Total Equity**
		$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Balance at 1 July 2019		**99,188**	**(2,621)**	**-**	**97**	**(92)**	**446**	**624**	**2,794**	**100,436**
Adoption of new accounting policy	8.1	-	-	-	-	-	-	-	(2,125)	(2,125)
Restated balance at 1 July 2019		**99,188**	**(2,621)**	**-**	**97**	**(92)**	**446**	**624**	**669**	**98,312**
Sale of branch building		-	-	-	(97)	-	-	-	-	(97)
Profit for the period		-	-	-	-	-	-	-	3,824	3,824
Other comprehensive income		-	-	-	-	(48)	-	-	-	(48)
Total comprehensive income		**-**	**-**	**-**	**(97)**	**(48)**	**-**	**-**	**3,824**	**3,679**
Transactions with owners										
Issue of share capital	5.2.2	7,082	-	-	-	-	-	(62)	-	7,020
Equity raising costs, net of tax	5.2.3	-	(133)	-	-	-	-	-	-	(133)
Acquisition of treasury shares	5.2.4	-	-	(103)	-	-	-	-	-	(103)
Cost of share-based payments		-	-	-	-	-	-	467	-	467
Balance at 30 June 2020		**106,270**	**(2,754)**	**(103)**	**-**	**(140)**	**446**	**1,029**	**4,493**	**109,241**
Balance at 1 July 2020		**106,270**	**(2,754)**	**(103)**	**-**	**(140)**	**446**	**1,029**	**4,493**	**109,241**
Profit for the period		-	-	-	-	-	-	-	5,659	5,659
Sale of financial assets		-	-	-	-	140	-	-	(140)	-
Total comprehensive income		**-**	**-**	**-**	**-**	**140**	**-**	**-**	**5,519**	**5,659**
Transactions with owners of the Company										
Issue of share capital	5.2.2	13,765	-	-	-	-	-	(765)	-	13,000
Equity raising costs, net of tax	5.2.3		(553)	-	-	-	-	-	-	(553)
Cost of share-based payments	7.5.2	-	-	-	-	-	-	627	-	627
Balance at 30 June 2021		**120,035**	**(3,307)**	**(103)**	**-**	**-**	**446**	**891**	**10,012**	**127,974**

The accompanying notes form part of these financial statements

STATEMENTS OF CHANGES IN EQUITY
For the year ended 30 June 2021

In thousands of AUD **Bank**

Attributable to equity holders	Note	Issued Capital	Equity Raising Costs	Treasury Shares	Property, Plant and Equipment Revaluation Reserve	General Reserve for Credit Losses	Share-based Payments Reserve	Retained Earnings	Total Equity
		$	$	$	$	$	$	$	$
Balance at 1 July 2019		**99,188**	**(2,621)**	**-**	**97**	**446**	**624**	**(2,662)**	**95,072**
Adoption of new accounting policy	8.1	-	-	-	-	-	-	(2,081)	(2,081)
Restated balance at 1 July 2019		**99,188**	**(2,621)**	**-**	**97**	**446**	**624**	**(4,743)**	**92,991**
Sale of branch building		-	-	-	(97)	-	-	-	(97)
(Loss) for the period		-	-	-	-	-	-	(3,446)	(3,446)
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**	**(3,446)**	**(3,543)**
Transactions with owners of the Company									
Issue of share capital	5.2.3	7,082	-	-	-	-	(62)	-	7,020
Equity raising costs, net of tax	5.2.4	-	(133)	-	-	-	-	-	(133)
Acquisition of treasury shares	5.2.5	-	-	(103)	-	-	-	-	(103)
Cost of share-based payments		-	-	-	-	-	467	-	467
Balance at 30 June 2020		**106,270**	**(2,754)**	**(103)**	**-**	**446**	**1,029**	**(8,189)**	**96,699**
Balance at 1 July 2020		**106,270**	**(2,754)**	**(103)**	**-**	**446**	**1,029**	**(8,189)**	**96,699**
Profit for the period		-	-	-	-	-	-	1,325	1,325
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**	**1,325**	**1,325**
Transactions with owners of the Company									
Issue of share capital	5.2.3	13,765	-	-	-	-	(765)	-	13,000
Equity raising costs, net of tax	5.2.4	-	(553)	-	-	-	-	-	(553)
Cost of share-based payments	7.5.2	-	-	-	-	-	627	-	627
Balance at 30 June 2021		**120,035**	**(3,307)**	**(103)**	**-**	**446**	**891**	**(6,864)**	**111,098**

The accompanying notes form part of these financial statements

STATEMENTS OF CASH FLOWS
For the year ended 30 June 2021

		Consolidated		Bank	
	Note	2021	2020 Restated	2021	2020 Restated
In thousands of AUD		$	$	$	$
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received		12,111	10,643	11,478	10,568
Fees and commissions received		232,043	177,748	1,894	1,597
Interest and other costs of finance paid		(3,694)	(5,830)	(3,521)	(5,612)
Other income received		827	1,786	4,005	1,108
Payments to suppliers and employees		(233,492)	(183,673)	(12,344)	(10,816)
Net increase in loans, advances and other receivables		(254,866)	(69,400)	(253,679)	(68,216)
Net (decrease)/increase in deposits and other borrowings		289,856	58,665	289,856	58,665
Net (payments)/receipts for investments		(85,494)	6,903	(85,494)	6,903
Net cash provided by/(used in) operating activities		(42,709)	(3,158)	(47,805)	(5,803)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of subsidiaries		94	-	-	-
Proceeds from sale of property, plant and equipment		-	506	-	506
Payments for property, plant and equipment		(25)	(42)	(25)	(25)
Payments for intangible assets		(411)	(1,328)	(184)	(71)
Net cash from/(used in) investing activities		(342)	(864)	(209)	410
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from the issue of capital	5.2.2	13,000	7,082	13,000	7,082
Payments for equity raising costs	5.2.3	(765)	(133)	(765)	(133)
Payments for treasury shares	5.2.4	-	(103)	-	(103)
Payments for lease liabilities		(1,279)	(1,160)	(129)	(108)
Proceeds of borrowings		61,258	-	61,646	-
Net (used in)/cash from financing activities		72,214	5,686	73,752	6,738
Net increase/(decrease) in cash held		29,163	1,664	25,738	1,345
Cash and cash equivalents at beginning of the year		18,122	19,381	15,853	17,431
Cash and cash equivalents at end of the year		**47,285**	**21,045**	**41,591**	**18,776**
Less provision for non-recovery of ATM bailment cash	4.1.1	-	(2,923)	-	(2,923)
Total cash and cash equivalents		**47,285**	**18,122**	**41,591**	**15,853**

Comparative statements restated due to the adoption of a new/revised accounting policy – refer to note 8.1

The accompanying notes form part of these financial statements

1. BASIS OF PREPARATION

1.1 Corporate information

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

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

The financial report for BNK and its controlled entities (the Group) for the year ended 30 June 2021 was authorised for issue in accordance with a resolution of the directors on 27 August 2021.

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, not taking into account changing money values, except where stated. Cost is based on the fair values of the consideration given in exchange for assets.

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

The Company presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in the notes to the financial statements.

(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. This is particularly pertinent in the year ended 30 June 2021 where the impact of the COVID-19 pandemic has caused significant impact to the Australian (and global) economy with inherent uncertainty as to future economic conditions. 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 as a result of COVID-19 are explained in the relevant notes to this financial report as referenced below:

	Reference
Identification and measurement for impairment of loans and receivables	3.2
Derecognition of financial assets, sale of loans	3.3
Utilisation of carry forward tax losses, recognition of deferred tax asset	2.4
Net present value of future trail commissions receivable and payable	4.4
Impairment of goodwill and other intangibles	7.2
Capitalisation of intangible assets	8.1

2. FINANCIAL PERFORMANCE

2.1 Operating segments

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

The Group has revised its segments from the previous three segments reported on the basis that the previous Wholesale division is now fully integrated with the Bank such that key operational activities for the origination, approval and disbursement of residential loans are aligned as a single business line. This has resulted in 75% of loans originated by Better Choice Home Loans funded by BNK with reduced dependency on third party funders during the year.

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

Banking

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

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

Aggregation

The Aggregation segment provides contracted administrative and infrastructure support to approximately 2,000 mortgage brokers, connecting them with a panel of approximately 65 lenders. The segment is primarily branded as Finsure and LoanKit and is one of Australia's largest aggregators.

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

2. FINANCIAL PERFORMANCE (CONTINUED)

2.1 Operating segments (continued)

	30 June 2021			30 June 2020 Restated		
In thousands of AUD	**Banking $**	**Aggregation $**	**Total $**	**Banking $**	**Aggregation $**	**Total $**
Revenue						
Interest income	11,345	83	11,428	10,723	166	10,889
Inter-segment interest income	(11)	-	(11)	(246)	-	(246)
Total interest income	11,334	83	11,417	10,477	166	10,643
Commission and non-interest income	18,817	337,323	356,140	18,817	286,870	305,687
Inter-segment commission and other income	(4,000)	-	(4,000)	(737)	-	(737)
Total commission and non-interest income	14,817	337,323	352,140	18,080	286,870	304,950
Total segment revenue	26,151	337,406	363,557	28,951	287,036	315,593
Interest expense	3,461	-	3,461	5,574	-	5,574
Inter-segment interest expense	-	(11)	(11)	-	(246)	(246)
Other	89	155	244	62	440	502
Total interest expense	3,550	144	3,694	5,636	194	5,830
Commission expense	8,775	309,686	318,461	6,836	265,281	272,117
Inter-segment commission expense	-	-	-	-	(737)	(737)
Total commission expense	8,775	309,686	318,461	6,836	264,544	271,380
Segment profit/(loss) before tax	(1,108)	9,129	8,021	(4,163)	8,989	4,826
Material non-cash expenses:						
Depreciation and amortisation	415	1,886	2,301	366	1,830	2,196
Share-based payments	627	-	627	422	-	422
Segment assets	778,511	543,329	1,321,840	417,777	416,332	834,109
Segment liabilities	719,350	474,516	1,193,866	361,488	363,380	724,868

2. FINANCIAL PERFORMANCE (CONTINUED)

2.2 Income

Net interest income

In thousands of AUD	Consolidated 2021 $	2020 $	Bank 2021 $	2020 $
Interest revenue				
Loans and advances	10,807	9,756	10,259	9,849
Sub-lease finance lease	80	134	-	-
Due from other institutions	530	753	526	719
Total interest income	11,417	10,643	10,785	10,568
Interest expense				
Deposits	3,181	5,574	3,181	5,574
Lease liabilities	210	248	31	38
Securitisation liabilities	44	-	52	-
Subordinated debt	236	-	236	-
Other	23	8	21	-
Total interest expense	3,694	5,830	3,521	5,612
Net interest income	7,723	4,813	7,264	4,956
Weighted average interest rate - loans and advances	3.00%	3.74%	3.00%	3.74%
Weighted average interest rate - deposits	0.45%	1.30%	0.45%	1.30%
Spread	2.55%	2.44%	2.55%	2.44%

Net commission income

	Consolidated 2021 $	2020 $	Bank 2021 $	2020 $
Commission income				
Upfront commission	129,760	94,490	-	-
Trail commission income	90,902	78,183	-	-
Change in net present value of future trail commissions receivable	118,508	117,836	-	-
Total commission income	339,170	290,509	-	-
Commission expense				
Upfront commission expense	125,679	90,345	-	-
Trail commission expense	82,354	68,496	712	475
Change in net present value of future trail commission payable	110,428	112,539	-	-
Total commission expense	318,461	271,380	712	475
Net commission income/(expense)	20,709	19,129	(712)	(475)

Other income

	Consolidated 2021 $	2020 $	Bank 2021 $	2020 $
Service fees and other residual income	2,248	1,616	577	442
Aggregation services fee income	7,503	6,105	-	-
Lending fees	821	679	225	128
Transaction fees	391	16	391	16
Sponsorship income	2,001	1,659	-	-
Cash convenience income	-	261	-	261
Insurance recovery (refer note 4.1.1)	-	2,898	-	2,898
Dividends received	4	4	4,004	4
Other	2	1,203	2	1,202
Total other income	12,970	14,441	5,199	4,951

2. FINANCIAL PERFORMANCE (CONTINUED)

2.2 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.

Banking fees and commissions

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

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

Service 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.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are incurred.

Dividends

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

Rental income

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature.

2. FINANCIAL PERFORMANCE (CONTINUED)

2.2 Income (continued)

Accounting policy - recognition and measurement (continued)

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

Origination commissions
Origination commissions are recognised upon the loans being settled and receipt of commission net of clawbacks.

Trailing commissions
The Group receives trailing commissions from lenders on loans they have settled that were originated by the Group. The trailing commissions are received over the life of the loans based on the individual loan balance outstanding. The Group also makes trailing commission payments to authorised mortgage originators (brokers) based on the individual loan balance outstanding.

On initial recognition, trailing commission revenue and receivables are recognised at the transaction price using the expected value approach as a contract asset under AASB 15, being the expected future trailing commission receivables discounted to their net present value. In addition, an associated payable and expense to the relevant brokers are also recognised, initially measured at fair value being the future trailing commission payable to relevant brokers discounted to their net present value. These calculations require the use of assumptions which are determined by management with the assistance of external actuaries.

Subsequent to initial recognition and measurement both the trailing commission asset and trailing commission liability are measured at amortised cost. The carrying amount of the trailing commission asset and trailing commission payable are adjusted to reflect actual and revised estimated cash flows by recalculating the carrying amount with reference to the present value of estimated future cash flows at the original effective interest rate. The resulting adjustment is recognised as income or expense in the Consolidated Statement of Profit or Loss.

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

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

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

Goods and services tax (GST)

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

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

2. FINANCIAL PERFORMANCE (CONTINUED)

2.3 Operating Expenses

In thousands of AUD	Consolidated 2021 $	Consolidated 2020 Restated $	Bank 2021 $	Bank 2020 Restated $
Depreciation and amortisation	2,301	2,196	215	284
Information technology	2,669	1,543	1,304	846
Cloud based software development	1,915	2,281	1,576	1,811
Banking services delivery	531	402	531	402
Securitisation operating expenses	48	-	-	-
Employee benefits	18,780	16,576	4,562	4,359
Professional services	1,441	1,546	871	1,080
Marketing	969	1,784	87	85
Occupancy	287	477	135	163
Other administration expenses	3,121	3,195	893	836
Total operating expenses	32,063	30,000	10,174	9,866

Comparative period restated due to adoption of new accounting policy in relation to cloud based software development costs – refer to note 8.1.

Accounting policy - recognition and measurement

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

2.4 Income tax

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

In thousands of AUD	Consolidated 2021 $	Consolidated 2020 Restated $	Bank 2021 $	Bank 2020 Restated $
Recognised in profit or loss				
Current tax	-	-	-	-
Deferred tax	2,362	1,002	(1,013)	(495)
Income tax expense/(benefit) recognised in Profit or Loss	2,362	1,002	(1,013)	(495)
Recognised in equity				
Financial instruments at fair value through OCI	-	(60)	-	-
Equity raising costs	213	93	213	93
Income tax expense/(benefit) recognised in Other Comprehensive Income	213	(33)	213	93
Tax reconciliation				
Profit/(Loss) before tax	8,021	4,826	312	(3,941)
Prima facie income tax expense/(benefit) on profit before income tax at 30% (2020:30%)	2,406	1,448	94	(1,182)
Adjust for tax effect of:				
Non-assessable income	-	-	(1,200)	-
Non-deductible expenses	44	139	93	125
Prior period adjustments	(88)	(585)	-	562
Income tax expense/(benefit) recognised in Profit or Loss	2,362	1,002	(1,013)	(495)

Comparative period restated due to adoption of new accounting policy in relation to cloud based software development costs – refer to note 8.1.

2. FINANCIAL PERFORMANCE (CONTINUED)

2.4 Income tax (continued)

2.4.2 Deferred tax assets and liabilities

	Consolidated		Bank	
In thousands of AUD	**2021**	**2020 Restated**	**2021**	**2020 Restated**
	$	**$**	**$**	**$**
Deferred tax assets comprise temporary differences attributable to:				
Provision for doubtful debts	332	1,135	333	1,119
Accrued expenses	619	232	201	72
Provisions	528	420	90	65
Equity raising and s.40-880 costs	518	560	401	242
Lease liabilities	1,010	1,360	163	202
Net present value of trail commission payable	136,013	102,886	-	-
Cloud based software development costs	1,820	1,684	1,580	1,526
Other	458	104	-	-
Carry forward losses and R&D offsets	3,243	2,858	337	-
Total deferred tax assets	144,541	111,240	3,105	3,226
Deferred tax liabilities comprise temporary differences attributable to:				
Prepayments and other assets	-	6	-	5
Intangible assets	5,360	5,418	-	-
Net present value of trail commission receivable	151,712	116,159	-	-
Deferred commission expense	787	410	786	410
Property, plant and equipment	992	1,380	198	239
Total deferred tax liabilities	158,851	123,373	984	654
Set-off	(144,541)	(111,240)	(984)	(654)
Net deferred tax asset/(liability)	(14,310)	(12,133)	2,121	2,572

Comparative period restated due to adoption of new accounting policy in relation to cloud based software development costs – refer to note 8.1.

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 management 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. FINANCIAL PERFORMANCE (CONTINUED)

2.4 Income tax (continued)

2.4.2 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. Management assesses the probability through the consideration of factors leading to losses and the preparation of forecasts that indicate the Group's ability to generate taxable profits in the future.

3. LOANS AND ADVANCES

3.1 Loans and advances

In thousands of AUD	Consolidated 2021 $	Consolidated 2020 $	Bank 2021 $	Bank 2020 $
Residential loans	522,554	263,446	522,554	263,446
Term loans	14,009	18,796	14,009	19,982
Personal loans	546	854	546	854
Overdrafts	1,299	469	1,299	469
	538,408	283,565	538,408	284,751
Add: Unamortised broker commissions	2,556	721	4,144	1,180
Gross loans and advances	540,964	284,286	542,552	285,931
Provision for credit losses – refer note 3.2	(1,025)	(725)	(1,025)	(725)
Loans and advances net of provisions	539,939	283,561	541,527	285,206
Maturity analysis – gross loans and advances				
Overdrafts	1,299	469	1,299	469
Not longer than 1 year	1,560	20	1,560	20
Longer than 1 and not longer than 5 years	4,065	5,863	4,065	7,508
Longer than 5 years	534,040	277,934	535,628	277,934
	540,964	284,286	542,552	285,931

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 and advances are reported at their recoverable amount representing the aggregate amount of principal and unpaid interest owing to the Group at the reporting date, less any allowance or provision for impairment.

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. The classification adopted is described below:

- Non-accrual loans - are loans and advances where the recovery of all interest and principal is considered to be reasonably doubtful and hence provisions for impairment are recognised.
- Restructured loans - arise when the borrower is granted a concession due to continuing difficulties in meeting the original terms. Loans with revised terms are included in non-accrual loans when impairment provisions are required.
- Past-due loans - are loans where payments of principal and/or interest are at least 90 days in arrears but due to mortgage security available full recovery of both principal and interest is expected.

Refer to note 5.1.4 for further information regarding credit risk including detail around the loans subject to COVID-19 repayment deferrals.

3. LOANS AND ADVANCES

3.2 Provision for credit losses

	Consolidated		Bank	
In thousands of AUD	**2021**	**2020**	**2021**	**2020**
	$	**$**	**$**	**$**
Expected credit loss provision	1,025	725	1,025	725
Total provisions for credit losses	1,025	725	1,025	725
Expected credit loss provision				
Opening balance	725	258	725	258
Bad debts provided for during the year	322	467	322	467
Bad debts written off during the year	(22)	-	(22)	-
Closing balance	1,025	725	1,025	725

In March 2020, APRA advised ADIs that for customers who chose to defer loan repayments as part of a COVID-19 support package, ADIs are not required to treat the period of a repayment holiday as a loan in arrears. Similarly, loans that have been granted a repayment deferral as part of a COVID-19 support package, are not required to be considered as restructured. APRA noted however that ADIs would need to consider these loans with regards to credit loss provisioning under AASB 9. Refer to note 5.1.4 for further information on the expected credit loss provisions recognised at balance date including detail around the loans subject to COVID-19 repayment deferrals. At 30 June 2021, the Company had nil customers subject to repayment deferrals.

Accounting policy - Recognition and measurement

Financial assets

Expected credit loss provision

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

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

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

If credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort in determining to reclassify it from Stage 1 to Stage 2 or 3. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

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.

3. LOANS AND ADVANCES

3.2 Provision for credit losses (cont'd)

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 by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by residential properties, LVR ratios are a key parameter in determining LGD. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

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.

As described above, and 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.

3. LOANS AND ADVANCES

3.2 Provision for credit losses

Reconciliation of expected credit loss provision

In thousands of AUD	**Consolidated**									
	Stage 1		**Stage 2**		**Stage 3**		**Management overlay**		**Total**	
	Gross exposure	**Provision**	**Gross exposure**	**Provision**	**Gross exposure**	**Provision**	**Gross exposure**	**Provision**	**Gross exposure**	**Provision**
Opening balance – 1 July 2020	267,520	205	1,481	37	1,441	87	13,844	396	284,286	725
Transfers to/(from)									-	-
Stage 1	13,844	396	-	-	-	-	(13,844)	(396)	-	-
Stage 2	-	-	1,412	58	-	-	-	-	1,412	58
Stage 3	-	-	-	-	123	40	-	-	123	40
New and increased provisions	255,383	224	-	-	-	-	-	-	255,383	224
Bad debts written off	-	-	-	-	(240)	(22)	-	-	(240)	(22)
Closing balance – 30 June 2021	536,747	825	2,893	95	1,324	105	-	-	540,964	1,025

In thousands of AUD	**Bank**									
	Stage 1		**Stage 2**		**Stage 3**		**Management overlay**		**Total**	
	Gross exposure	**Provision**	**Gross exposure**	**Provision**	**Gross exposure**	**Provision**	**Gross exposure**	**Provision**	**Gross exposure**	**Provision**
Opening balance – 1 July 2020	269,165	205	1,481	37	1,441	87	13,844	396	285,931	725
Transfers to/(from)										
Stage 1	13,844	396	-	-	-	-	(13,844)	(396)	-	-
Stage 2	-	-	1,412	58	-	-	-	-	1,412	58
Stage 3	-	-	-	-	123	40	-	-	123	40
New and increased provisions	255,328	224	-	-	-	-	-	-	255,328	224
Bad debts written off	-	-	-	-	(240)	(22)	-	-	(240)	(22)
Closing balance – 30 June 2021	538,337	825	2,893	95	1,324	105	-	-	542,554	1,025

3. LOANS AND ADVANCES

3.3 Derecognition of loans and advances

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

Loans sold to BEN have to meet certain criteria and are derecognised on the basis that the risks and rewards associated with the loans have been substantially transferred. The Company retains the servicing responsibilities and is entitled to the residual income from the loans once the funder's cost of funds and other costs have been met. Service fee and residual income is recognised in profit and loss as noted in Note 2.2.

Following the implementation of the Group's prime residential lending warehouse, the RASA has been placed into run off. In the event that the RASA program criteria were not to BEN's satisfaction, the limit could be reduced or cancelled and/or BEN may appoint an alternative servicer of the loans. The Company is not obligated to repurchase the loans subsequent to their sale.

Loans sold in to the RASA are sold at their carrying amount inclusive of accrued interest, with no gain or loss recognised by the Company. The RASA is utilised primarily for capital management purposes and the Group's business model has been determined as originating loans to hold and collect principal and interest repayments. Loan sales in current and previous periods have occurred prior to a capital raising in order to ensure the Group complies with its capital adequacy requirements. The Company's objective is to originate and hold as many loans on balance sheet as possible, given the higher yields derived from on balance sheet loans compared to loans sold to the RASA. Sales therefore only occur when the Company is nearing its prudential capital ratio.
The balance of loans serviced by the Company at reporting date:

In thousands of AUD	**2021 $**	**2020 $**
Owner occupier loans	18,779	28,336
Investment loans	18,017	18,471
	36,796	46,807

Loan sales:

Year ended	**Date of sale**	**Number of loans**	**Proceeds $('000s)**
30 June 2021	Nil	-	-
30 June 2020	3 October 2019	8	3,711
	19 December 2019	14	5,684
	22 January 2020	15	5,009

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

4. LIQUIDITY AND FUNDING

4.1.1 Cash and cash equivalents

In thousands of AUD	**Consolidated 2021 $**	**2020 $**	**Bank 2021 $**	**2020 $**
Cash at bank and on hand	47,285	21,045	41,591	18,776
Less provision for non-recovery of bailment cash	-	(2,923)	-	(2,923)
Total cash and cash equivalents	47,285	18,122	41,591	15,853

In the comparative period, the Company recognised a provision for the non-recovery of cash relating to ATM bailment and cash in transit arrangements with ATM Co Pty Ltd and Tuff Enterprises Pty Ltd, both of which were placed into liquidation in August 2019. The liquidator had not identified the location of the Company's cash totalling approximately $2,923,000 and the Company lodged a claim with its insurer. In addition, a receivable for the estimated insurance recovery was recognised (refer note 4.4.1) as at the comparative reporting date.

During the year, the Company received partial indemnification from the insurer in respect of $2,060,000 of the claim minus the applicable deductible pursuant to the Company's Financial Institutions Bond Policy. The remaining balance of $863,000 has been recognised as an impairment expense. The Company continues to consider its position in relation to the potential recovery of amounts from other third parties. Following the cessation of this line of business, the Company has also written down the carrying value of ATM assets held.

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

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

4.1.2 Reconciliation to the Statement of Cash Flows

In thousands of AUD	**Consolidated 2021 $**	**2020 $**	**Bank 2021 $**	**2020 Restated $**
Operating profit/(loss) after income tax	5,659	3,824	1,325	(3,446)
Non-cash items				
Depreciation and amortisation	2,301	2,196	215	284
Change in fair value of NPV asset	(118,508)	(117,836)	-	-
Change in fair value of NPV liability	110,428	112,539	-	-
Impairment of financial assets	1,317	3,557	1,264	3,507
Leave provisions	370	183	80	(156)
Share-based payments	627	405	627	405
Gain on sale of financial assets	-	(1,062)	-	(1,062)
Gain on sale of property, plant and equipment	-	(78)	-	(78)
Insurance recovery	-	(2,898)	-	(2,898)
Movement in assets and liabilities				
Loans and receivables	(254,866)	(69,400)	(253,679)	(68,216)
Investments	(85,494)	6,903	(85,494)	6,903
Deposits	289,856	58,665	289,856	58,665
Other assets	(3,641)	1,467	29	(178)
Deferred tax assets	-	-	451	85
Deferred tax liabilities	2,238	980	-	-
Payables	6,634	(2,587)	(2,399)	227
Provisions	370	(16)	(80)	156
Net cash flow from operating activities	**(42,709)**	**(3,158)**	**(47,805)**	**(5,802)**

4. LIQUIDITY AND FUNDING

4.2 Financial assets

In thousands of AUD	Consolidated 2021 $	Consolidated 2020 $	Bank 2021 $	Bank 2020 $
Due from other financial institutions at amortised cost	8,820	33,335	8,820	33,335
Investment securities at amortised cost (a)	148,006	37,996	148,006	37,996
Investment in Cuscal Limited at fair value through OCI (b)	142	142	142	142
Investments in listed companies at fair value through OCI	-	93	-	-
	156,968	71,566	156,968	71,473
Maturity analysis				
Due from other financial institutions				
- Not longer than 3 months	-	19,500	-	19,500
- 3 months to 1 year	1,200	6,215	1,200	6,215
- 1 year to 5 years	7,620	7,620	7,620	7,620
	8,820	33,335	8,820	33,335
Investment securities				
- Not longer than 3 months	-	11,115	-	11,115
- 3 months to 1 year	-	-	-	-
- 1 year to 5 years	122,326	19,715	122,326	19,715
- More than 5 years	25,680	7,166	25,680	7,166
	148,006	37,996	148,006	37,996

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

(b) The shareholding in Cuscal Ltd ("Cuscal") is classified as at fair value through other comprehensive income. These shares are held to enable the Company to receive essential banking services - refer to Note 7.7. Cuscal operates an off market exchange whereby financial institutions holding Cuscal shares are able to trade with each other. The investment in Cuscal is considered a Level 2 investment in the fair value hierarchy and fair value has been determined using the market comparison technique with reference to recent sales transacted by financial institutions.

Accounting policy - Recognition and measurement

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

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

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

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

4. LIQUIDITY AND FUNDING

4.2 Financial assets (continued)

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

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

From 1 July 2018 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

In thousands of AUD	Consolidated 2021 $	Consolidated 2020 $	Bank 2021 $	Bank 2020 $
Call deposits	397,535	122,021	397,535	122,021
Term deposits	238,112	223,770	238,112	223,770
	635,647	345,791	635,647	345,791
Maturity analysis				
- At call	397,535	122,021	397,535	122,021
- Not longer than 3 months	105,445	100,816	105,445	100,816
- Longer than 3 months but less than 12 months	127,997	103,694	127,997	103,694
- Longer than 12 months but less than 5 years	4,670	19,260	4,670	19,260
	635,647	345,791	635,647	345,791

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

In thousands of AUD	Consolidated 2021 $	Consolidated 2020 $	Bank 2021 $	Bank 2020 $
Accrued commission income	19,418	16,551	-	-
Securitisation deposits	373	-	-	-
Sub-lease finance lease receivable	817	1,121	-	-
Insurance receivable	-	2,898	-	2,898
Prepayments	1,915	1,564	1,703	974
Other debtors	3,168	3,372	5,742	2,770
Less provision for impairment	(84)	(83)	(84)	(83)
Total commissions and other receivables	25,607	25,423	7,361	6,559

4. LIQUIDITY AND FUNDING

4.4 Receivables and payables (continued)

4.4.2 Commissions and other payables

In thousands of AUD	Consolidated 2021 $	2020 $	Bank 2021 $	2020 $
Accrued commission payable	19,863	15,300	-	-
Lease liabilities - refer to note 7.4	3,368	4,646	543	671
Trade creditors and accrued expenses	4,361	2,736	3,122	1,114
Total commissions and other payables	27,592	22,682	3,665	1,785

4.4.3 Contract assets and liabilities

In thousands of AUD	Consolidated 2021 $	2020 $	Bank 2021 $	2020 $
Contract assets				
Net present value of future trail commission receivable	505,706	387,197	-	-
Contract liabilities				
Net present value of future trail commission payable	453,381	342,954	-	-

Accounting policy - Recognition and measurement
The Group receives trailing commissions and mortgage management administration fees from lenders on loans they have settled that were originated by the Group. The trailing commissions and mortgage management administration fees are received over the life of the loans based on the individual loan balance outstanding. The Group also makes trailing commission payments to authorised mortgage originators (brokers) based on the individual loan balance outstanding.

On initial recognition, trailing commission revenue and receivables are recognised initially at transaction price using the expected value method as a contract asset under AASB 15, being the expected future trailing commission receivables discounted to their net present value. In addition, an associated payable and expense to the relevant brokers are also recognised, initially measured at fair value being the future trailing commission payable to relevant brokers discounted to their net present value. These calculations require the use of assumptions which are determined by management.

Subsequent to initial recognition and measurement both the trailing commission asset and trailing commission payable are measured at amortised cost. The carrying amount of the trailing commission asset and trailing commission payable are adjusted to reflect actual and revised estimated cash flows by recalculating the carrying amount with reference to the present value of estimated future cash flows at the original effective interest rate. The resulting adjustment is recognised as income or expense in the Income Statement.

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

	2021	**2020**
Discount rate per annum	Between 1.5% and 6.5%	Between 3.5% and 6.5%
Percentage paid to brokers	Between 50% and 95%	Between 50% and 95%
Weighted average life – Aggregation	3.6 to 3.9 years	3.7 to 3.9 years
Weighted average life – Wholesale	3.0 to 4.4 years	3.0 to 4.4 years
Weighted average life – Total portfolio	4.5 years	3.9 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, whether or not billed to the Company. The terms and conditions for creditors and other liabilities are payable between 7 and 30 days.

4. LIQUIDITY AND FUNDING

4.5 Other financial liabilities

In thousands of AUD	Consolidated 2021 $	Consolidated 2020 $	Bank 2021 $	Bank 2020 $
Term funding facility	13,772	-	13,772	-
Securitisation liabilities	37,846	-	38,234	-
Payable to securitisation trust	-	-	-	-
Subordinated debt	9,640	-	9,640	-
Total borrowings	61,258	-	61,646	-

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

Term Funding Facility

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

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

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

Securitisation liabilities

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

In thousands of AUD	Consolidated 2021 $	Consolidated 2020 $	Bank 2021 $	Bank 2020 $
Securitisation warehouse funding facilities - utilised	37,846	-	37,846	-
Securitisation warehouse funding facilities - unutilised	212,154	-	212,154	-
Securitisation warehouse funding approval limit	**250,000**	**-**	**250,000**	**-**

Subordinated debt

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

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

5. FINANCIAL RISK AND CAPITAL MANAGEMENT

5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

5.1.1 Introduction and overview

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

Risk management framework

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

Risk management roles and responsibilities

Board of Directors

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

Board Risk & Compliance Committee

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

Chief Executive Officers & Executive Management

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

Chief Risk Officer

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

Internal Audit

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

Asset & Liability Committee (ALCO)

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

Non-Financial Risk Committee (NFR)

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

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

5. FINANCIAL RISK AND CAPITAL MANAGEMENT

5.1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

5.1.1 Introduction and overview (continued)

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

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

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

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

5.1.2 Interest rate risk in the banking book

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

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

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

5. RISK AND CAPITAL MANAGEMENT

5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES
5.1.2 Interest rate risk in the banking book (continued)

			Consolidated						
In thousands of AUD			**Fixed interest rate**						
2021	**Weighted average effective interest rate (%)**	**Floating interest rate**	**1 year or less**	**1 to 2 years**	**2 to 3 years**	**3 to 5 years**	**> 5 years**	**Non-interest bearing**	**Amount per Statement of Financial Position**
Financial assets									
Cash and cash on hand	-	-	-	-	-	-	-	47,285	47,285
Due from other financial institutions	0.51	-	8,820	-	-	-	-	-	8,820
Investment securities	0.34	7,070	-	88,548	7,850	18,857	25,681	-	148,006
Loans and advances	3.00	445,912	2,195	34,036	55,018	1,247	-	-	538,408
Commission and other receivables	-	-	-	-	-	-	-	528,292	528,292
Sub-lease finance lease receivable	5.00	-	-	817	-	-	-	-	817
Securitisation deposits	-	-	-	-	-	-	-	373	373
Other financial assets	-	-	-	-	-	-	-	142	142
Total financial assets		452,982	11,015	123,401	62,868	20,104	25,681	576,092	1,273,143
Financial liabilities									
Deposits	0.45	397,535	234,383	2,044	249	1,389	47	-	635,647
Lease liabilities	5.00	-	-	-	3,368	-	-	-	3,368
Commission and other payables	-	-	-	-	-	-	-	477,606	477,606
Securitisation liabilities	1.93	-	37,846	-	-	-	-	-	37,846
Subordinated notes	5.44	-	9,640	-	-	-	-	-	9,640
Term finance Facility	0.19	-	-	-	13,772	-	-	-	13,772
Total financial liabilities		397,535	281,869	2,044	17,389	1,389	47	477,606	1,177,879
Net financial assets/(liabilities)		**55,447**	**(270,854)**	**121,357**	**45,479**	**18,715**	**25,634**	**98,486**	**94,264**
2020									
Financial assets									
Cash and cash on hand	-	-	-	-	-	-	-	18,122	18,122
Due from other financial institutions	0.82	-	33,335	-	-	-	-	-	33,335
Investment securities	0.77	-	37,996	-	-	-	-	-	37,996
Loans and advances	3.74	272,772	6,568	2,082	-	2,139	-	-	283,561
Commission and other receivables	-	-	-	-	-	-	-	411,499	411,499
Sub-lease finance lease receivable	5.00	-	-	-	1,121	-	-	-	1,121
Other financial assets	-	-	-	-	-	-	-	235	235
Total financial assets		272,772	77,899	2,082	1,121	2,139	-	429,856	785,869
Financial liabilities									
Deposits	1.30	122,021	204,785	18,775	-	163	47	-	345,791
Lease liabilities	5.00	-	-	4,646	-	-	-	-	4,646
Commission and other payables	-	-	-	-	-	-	-	360,990	360,990
Total financial liabilities		122,021	172,913	23,468	-	-	-	360,990	711,427
Net financial assets/(liabilities)		**150,751**	**(126,886)**	**(21,339)**	**1,121**	**1,976**	**(47)**	**68,866**	**74,442**

5. RISK AND CAPITAL MANAGEMENT

5.1.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES
5.1.2 Interest rate risk in the banking book (continued)

					Bank				
In thousands of AUD					**Fixed interest rate**				
2021	**Weighted average effective interest rate (%)**	**Floating interest rate**	**1 year or less**	**1 to 2 years**	**2 to 3 years**	**3 to 5 years**	**> 5 years**	**Non-interest bearing**	**Amount per Statement of Financial Position**
Financial assets									
Cash and cash on hand	-	-	-	-	-	-	-	41,591	41,591
Due from other financial institutions	0.51	-	8,820	-	-	-	-	-	8,820
Investment securities	0.34	7,070	-	88,548	7,850	18,857	25,681	-	148,006
Loans and advances	3.00	445,912	2,195	34,036	55,018	1,247	-	-	538,408
Commission and other receivables	-	-	-	-	-	-	-	5,743	5,743
Other financial assets	-	-	-	-	-	-	-	142	142
Total financial assets		452,982	11,015	122,584	62,868	20,104	25,681	47,476	742,710
Financial liabilities									
Deposits	0.45	397,535	234,383	2,044	249	1,389	47	-	635,647
Lease liabilities	5.00	-	-	-	543	-	-	-	543
Creditors and other payables	-	-	-	-	-	-	-	3,122	3,122
Securitisation liabilities	1.93	-	38,234	-	-	-	-	-	38,234
Subordinated notes	5.44	-	9,640	-	-	-	-	-	9,640
Term Finance Facility	0.19	-	-	-	13,772	-	-	-	13,772
Total financial liabilities		397,535	282,257	2,044	14,564	1,389	47	3,122	700,958
Net financial assets/(liabilities)		**57,447**	**(271,242)**	**120,540**	**49,304**	**18,715**	**25,634**	**44,354**	**44,752**
2020									
Financial assets									
Cash and cash on hand	-	-	-	-	-	-	-	15,853	15,853
Due from other financial institutions	0.82	-	33,335	-	-	-	-	-	33,335
Investment securities	0.77	-	37,996	-	-	-	-	-	37,996
Loans and advances	3.74	276,221	4,764	2,082	-	2,139	-	-	285,206
Commission and other receivables	-	-	-	-	-	-	-	6,559	6,559
Other financial assets	-	-	-	-	-	-	-	142	142
Total financial assets		276,221	76,095	2,082	-	2,139	-	22,554	379,091
Financial liabilities									
Deposits	1.30	122,022	204,785	18,775	-	163	47	-	345,792
Lease liabilities	5.00	-	-	671	-	-	-	-	671
Creditors and other payables	-	-	-	-	-	-	-	1,114	1,114
Total financial liabilities		122,022	204,785	19,446	-	163	47	1,114	347,577
Net financial assets/(liabilities)		**154,199**	**(128,690)**	**(17,364)**	**-**	**1,976**	**(47)**	**21,440**	**31,514**

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 +/- 25 basis points (2020: +/- 25 basis points) from the year-end rates, with all other variables held constant.

Judgement of reasonably possible movements(amounts in thousands of AUD):	Consolidated higher (lower)		Bank higher (lower)	
	2021	**2020**	**2021**	**2020**
25 basis points increase (2020: 25bps)	303	88	303	88
25 basis points decrease (2020: 25bps)	(303)	(88)	(303)	(88)

5.1.3 Market risk - Equity investments
The Group is exposed to market risk on the value of shares through its investments in Cuscal (refer to note 4.2) and an ASX listed company.

Market rate sensitivity
Taking into account past performance, future expectations, economic forecasts and management's knowledge and experience of the financial markets, the Group believes the impact on equity in the following table are 'reasonably possible' over the next 12 months, if the fair value of the investment had changed by +/- 10% (2020: +/- 10%) from the year-end rates, with all other variables held constant.

Judgement of reasonably possible movements (amounts in thousands of AUD):	Consolidated Impact on equity		Bank Impact on equity	
	2021	**2020**	**2021**	**2020**
10% increase (2020:10%)	10	16	10	10
10% decrease (2020: 10%)	(10)	(16)	(10)	(10)

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

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

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

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

5. FINANCIAL RISK AND CAPITAL MANAGEMENT

5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

5.1.4 Credit Risk (continued)

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 2021, the Group has repossessed one residential property with a fair value of $240,000 (2020: one property with a fair value of $280,000).

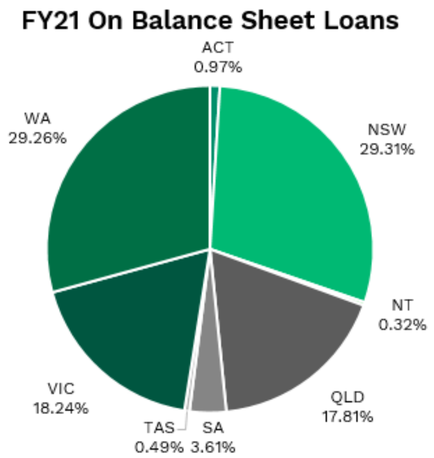
Concentrations of credit risk – Banking activities

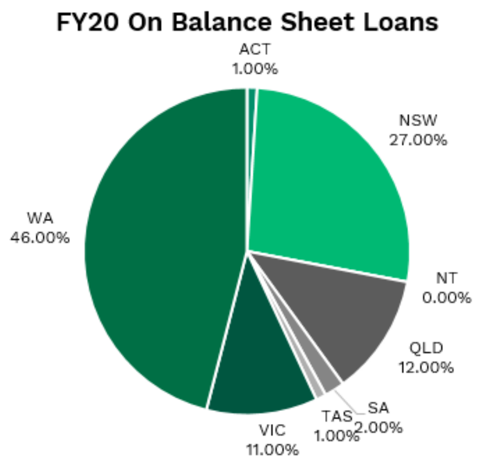
The Group monitors concentration of credit risk by purpose. An analysis of concentrations of credit risk at the reporting date is shown below:

In thousands of AUD	Consolidated 2021 $	Consolidated 2020 $	Bank 2021 $	Bank 2020 $
Owner occupier home loans	351,443	127,889	351,443	127,889
Investment home loans	171,217	135,558	171,217	135,558
Commercial loans	14,206	18,796	14,206	19,982
Secured personal loans	371	723	371	723
Unsecured personal loans	68	130	68	130
Overdrafts	1,103	469	1,103	469
	538,408	283,565	538,408	284,751

As at 30 June 2021 there were no borrowers (2020: nil) who individually have facilities which represent 10% or more of the regulatory capital base.

Historically, the Bank has been exposed to geographical concentration risk by lending predominately to customers in Western Australia. Since the completion of the merger with Finsure in 2018, the Bank's distribution capability has increased significantly, such that broader diversification of the loan portfolio has been achieved. The Group's objective is to continue to reduce the concentration risk to Western Australian borrowers over time in order to benefit from a diversified loan book as a nationwide lender.





5. FINANCIAL RISK AND CAPITAL MANAGEMENT

5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

5.1.4 Credit risk (continued)

i. Credit quality – loans and receivables

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

In thousands of AUD	Consolidated 2021 $	Consolidated 2020 $	Bank 2021 $	Bank 2020 $
Past due but not impaired				
30 days & less than 90 days	2,860	1,359	2,860	1,359
90 days & less than 182 days	1,192	164	1,192	164
182 days or more	164	964	164	964
	4,216	2,487	4,216	2,487
Impaired – mortgage loans	-	-	-	-
Impaired – personal loans	-	-	-	-
Neither past due or impaired	534,189	281,078	534,189	282,264
Total loans and advances	538,408	283,565	538,408	284,751

Following the onset of COVID-19 in 2020, APRA granted capital concessional provisions regarding loans for loans where repayment deferrals were granted. The Company agreed to vary repayment arrangements for certain customers. These represented a small proportion of BNK's customer base. During the year ended 30 June 2021, all customers with repayment deferral arrangements returned to performing status such that are no further customers with COVID-19 repayment deferral arrangements in place.

ii. Collateral – loans and receivables

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

Type of credit exposure	Percentage of exposure that is subject to collateral requirements 2021	2020	Principal type of collateral held
Deposits with banks and short-term securities	-	-	Marketable securities
Investment securities	-	-	Marketable securities
Residential loans	100	100	Residential property
Personal loans	91	84	Residential property and/or motor vehicles
Overdrafts	90	90	Residential property
Term loans	100	100	Commercial and/or residential property, floating charges over business assets

5. FINANCIAL RISK AND CAPITAL MANAGEMENT

5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

5.1.4 Credit risk (continued)

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

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

Deposits with other banks and short-term securities

In thousands of AUD	Consolidated 2021 $	Consolidated 2020 $	Bank 2021 $	Bank 2020 $
Long Term Credit Rating				
1 (AAA to AA-)*	-	-	-	
2 (A+ to A-)*	8,820	23,835	8,820	23,835
3 (BBB+ to BBB-)*	-	-	-	-
Unrated	-	9,500	-	9,500
	8,820	33,335	8,820	33,335

Investment securities

In thousands of AUD	Consolidated 2021 $	Consolidated 2020 $	Bank 2021 $	Bank 2020 $
Long Term Credit Rating				
1 (AAA to AA-)*	148,006	37,996	148,006	37,996
2 (A+ to A-)*	-	-	-	-
	148,006	37,996	148,006	37,996

** Or equivalent rating by other rating agencies*

Accrued commission receivable and other debtors

In thousands of AUD	Consolidated 2021 $	Consolidated 2020 $	Bank 2021 $	Bank 2020 $
Long Term Credit Rating				
1 (AAA to AA-)*	327,016	246,576	-	2,898
2 (A+ to A-)*	55,579	37,054	-	-
3 (BBB+ to BBB-)*	37,130	32,814	-	-
Unrated	105,399	87,304	5,742	3,661
	525,124	403,748	5,742	6,559

** Or equivalent rating by other rating agencies*

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

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

5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

5.1.4 Credit risk (continued)

Accounting policy - Recognition and measurement

As set out in note 3.2, loans are 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.

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

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

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

5.1.5 Liquidity risk

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

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

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

5. FINANCIAL RISK AND CAPITAL MANAGEMENT

5.1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

5.1.5 Liquidity risk (continued)

The Group's policy is to apply a minimum level of 18% (2020: 13%) of funds as liquid assets to maintain adequate funds for meeting customer withdrawal requests. This ratio is checked daily. In order to minimise the risk of the liquidity ratio falling below 18% (2020: 13%); the Board has determined a target liquidity trading range of 18% - 25% in normal market situations. Since the impact of COVID-19 became prevalent in early calendar year 2020, the Board recommended the Group hold higher levels of liquidity above this range. In the event that liquidity ratio falls below 13% or is considered to be at risk of falling below that level, specific remedial measures are required to be taken by the Board and Management.

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 2021 there were no deposits greater than 10% of total liabilities (2020: nil).

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

	Consolidated			Bank
In thousands of AUD	**2021**	**2020**	**2021**	**2020**
	$	**$**	**$**	**$**
High quality liquid assets	205,637	90,197	199,372	87,177
Adjusted liability base for regulatory purposes	622,706	348,719	601,424	331,771
Liquidity ratio	33.1%	25.9%	33.0%	26.2%

5.1.6 Operational risk

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

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

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

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

5. FINANCIAL RISK AND CAPITAL MANAGEMENT

5.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

5.1.6 Operational risk

The Group experienced a significant operational risk event in the year ended 30 June 2020 in relation to its ATM bailment business (refer to note 4.1.1 for further details). As a result, the Group has now exited this line of business.

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

5.1.7 Fair value of financial assets and liabilities

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

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. Amounts due from other financial institutions, investment securities and investments in Cuscal Limited can be traded in a secondary market. The investment in Cuscal is classified as a Level 2 financial asset in the fair value hierarchy.

5. FINANCIAL RISK AND CAPITAL MANAGEMENT

5.1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

5.1.7 Fair value of financial assets and liabilities (continued)

	Consolidated			
	Fair value		Carrying amount	
In thousands of AUD	2021 $	2020 $	2021 $	2020 $
Financial assets				
Cash and cash equivalents	47,285	18,122	47,285	18,122
Accrued commission receivable	19,418	16,551	19,418	16,551
Due from other financial institutions	8,820	33,335	8,820	33,335
Investment securities	147,236	37,948	148,006	37,996
Loans and advances	549,658	287,637	539,939	283,561
Other receivables	-	8,872	-	8,872
Other financial assets	142	235	142	235
Total financial assets	772,559	402,700	763,610	398,672
Financial liabilities				
Deposits	635,647	345,791	635,647	345,791
Accrued commission payable	19,863	15,300	19,863	15,300
Other financial liabilities	61,258	-	61,258	-
Lease liability	3,368	4,646	3,368	4,646
Creditors and other payables	4,361	2,736	4,361	2,736
Total financial liabilities	724,497	368,473	724,497	368,473
	Bank			
Financial assets				
Cash and cash equivalents	41,591	15,853	41,591	15,853
Due from other financial institutions	8,820	33,335	8,820	33,335
Investment securities	147,264	37,948	148,005	37,996
Loans and advances	551,246	289,282	541,527	285,206
Other receivables	5,743	6,560	5,743	6,560
Other financial assets	142	142	142	142
Total financial assets	754,806	383,120	745,828	379,092
Financial liabilities				
Deposits	635,647	345,791	635,647	345,791
Other financial liabilities	61,646	-	61,646	-
Lease liability	543	671	543	671
Creditors and other payables	3,266	1,114	3,266	1,114
Total financial liabilities	701,102	347,576	701,102	347,576

5. FINANCIAL RISK AND CAPITAL MANAGEMENT

5.1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

5.1.7 Fair value of financial assets and liabilities (continued)

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

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

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

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

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

Other financial assets
Refer to Note 4.2, the balance comprises unlisted equity instruments.

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

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

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

5.2 CAPITAL MANAGEMENT

5.2.1 Overview

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

5.2.2 Capital management

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

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

5. FINANCIAL RISK AND CAPITAL MANAGEMENT

5.2 CAPITAL MANAGEMENT

5.2.2 Overview (continued)

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

The Group's policy is to apply a minimum target of 17.5% capital (2020: 17.0%).

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

	Consolidated (Level 2)		Bank (Level 1)	
In thousands of AUD	**2021**	**2020**	**2021 $**	**2020 $**
Tier 1 capital	42,126	31,278	40,861	30,082
Tier 2 capital	9,999	446	9,999	446
Total regulatory capital	52,125	31,724	50,860	30,528
Risk weighted assets	236,706	149,519	236,825	147,532
Capital adequacy ratio	22.02%	21.22%	21.48%	20.69%

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

5.2.3 Share capital

				Bank	
In thousands of AUD	**Note**			**2021 $**	**2020 $**
Share capital				120,035	106,270
Movements in ordinary shares on issue		**Number of shares**	**2021 $**	**Number of shares**	**2020 $**
Beginning of the financial year		94,270,399	106,270	82,415,399	99,188
Issued during the year in a placement		18,572,000	13,000	11,700,000	7,020
Exercise of performance rights		1,345,001	765	155,000	62
		114,187,400	120,035	94,270,399	106,270
Less equity raising costs	5.2.3	-	(3,307)	-	(2,754)
		114,187,400	116,728	94,270,399	103,516

Terms and conditions of ordinary shares

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

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

5. FINANCIAL RISK AND CAPITAL MANAGEMENT

5.2 CAPITAL MANAGEMENT

5.2.4 Equity raising costs

	Bank	
In thousands of AUD	**2021 $**	**2020 $**
Balance at the beginning of the year	2,754	2,621
Equity raising costs incurred	766	40
Deferred tax recognised directly in equity	(213)	93
Balance at the end of the year	3,307	2,754

Accounting policy - Recognition and measurement

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

5.2.5 Treasury shares reserve

In thousands of AUD	**2021 $**	**2020 $**
Balance at the beginning of the year	(103)	-
Acquired during the year to fulfil the exercise of performance rights	-	(103)
	(103)	(103)

Pursuant to the BNK Equity Incentive Plan, the Company may issue new shares or acquire shares on market to allocate to staff upon exercising performance rights as set out in note 7.4.2. During the year ended 30 June 2020, the Company acquired shares on market at a cost of $103,000 which were transferred to employees for the exercise of performance rights at nil consideration. At 30 June 2021, the Company does not hold any treasury shares.

Accounting policy - Recognition and measurement

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

5. FINANCIAL RISK AND CAPITAL MANAGEMENT

5.3 EARNINGS PER SHARE

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

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

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

	Consolidated	
In thousands of AUD	**2021** **$**	**2020 Restated** **$**
Net profit/(loss) attributable to ordinary share holders	5,659	3,824
Weighted average number of ordinary shares		
for basic earnings per share	96,776,010	86,727,399
for diluted earnings per share	98,020,277	88,274,386
Basic earnings per share (cents)	5.85	4.35
Diluted earnings per share (cents)	5.77	4.28

5.4 DIVIDENDS PAID OR PROPOSED AND FRANKING ACCOUNT

No dividend was paid or declared by the Company in the period and up to the date of this report. The Directors do not recommend that any amount be paid by way of dividend, for the financial period ended 30 June 2021 (2020: nil).

Franking credit balance

In thousands of AUD	**2021** **$**	**2020** **$**
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% (2020: 30%)	2,544	2,542
Franking credits that will arise from the payment/(receipt) of income tax payable/receivable as at the end of the financial year	-	-
Franking credits that arise from the receipt of franked dividends	2	2
Franking credits available for subsequent reporting periods at 30% (2020: 30%)	2,546	2,544

6. GROUP STRUCTURE

6.1.1 Investments in subsidiaries

		Bank	
In thousands of AUD	**Note**	**2021**	**2020**
		$	**$**
Investments in subsidiaries at cost		61,925	61,925

Subsidiaries

Subsidiary name	**Segment**	**Ownership**	
		2021	**2020**
Finsure Holding Pty Ltd	Aggregation	100%	100%
Finsure Finance & Insurance Pty Ltd	Aggregation	100%	100%
Finsure Domain Names Pty Ltd	Aggregation	100%	100%
Finsure Wealth Pty Ltd	Aggregation	100%	100%
Beagle Finance Pty Ltd	Aggregation	100%	100%
Smart Finance & Wealth Pty Ltd	Aggregation	100%	100%
1300 Home Loan Holdings Pty Ltd	Aggregation	100%	100%
Mystro CRM Pty Ltd	Aggregation	100%	100%
Wikibroker Pty Ltd	Aggregation	100%	100%
Australian Asset Aggregation Pty Ltd	Aggregation	-	51%
Fintek Pty Ltd	Aggregation	-	60%
Iden Holdings Pty Ltd	Banking	100%	100%
Better Choice Home Loans Pty Ltd	Banking	100%	100%
Future Financial 1 Pty Ltd	Banking	100%	100%
Pioneer Mortgage Holdings Pty Ltd	Banking	100%	100%
Romavale Pty Ltd	Banking	100%	100%
Australian Capital Home Loans Pty Ltd	Banking	100%	100%
Bare 123 Pty Ltd	N/A - Dormant	100%	100%
Bullion Trust No.1	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. During the year, the Group established the Bullion Trust No.1 for the purpose of originating residential loans for securitisation purposes.

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

Business Combinations

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

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

6.1.2 Deed of Cross Guarantee

Pursuant to *ASIC Corporations (Wholly owned Companies) Instrument 2016/785* the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgment of financial reports and Directors' reports:

- Finsure Holding Pty Ltd
- Finsure Finance & Insurance Pty Ltd
- Beagle Finance Pty Ltd

It is a condition of the Instrument that the subsidiaries agreeing to guarantee each other's' liabilities ("the Closed Group") enter into a Deed of Cross Guarantee. The Company, as an APRA regulated ADI is prevented from guaranteeing its subsidiaries liabilities, and therefore isn't a party to the Deed of Cross Guarantee. The effect of the Deed is that each entity listed above guarantees to each creditor payment in full of any debt in the event of a winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up of a subsidiary party to the Deed occurs under other provisions of the Act, the remaining subsidiary/(ies) will only be liable in the event that after six months any creditor has not been paid in full.

A consolidated statement of comprehensive income and consolidated statement of financial position, comprising the three entities party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee are set out as follows:

Statement of Financial Position for the Closed Group

In thousands of AUD	**2021**	**2020 Restated**
Assets	**$**	**$**
Cash and cash equivalents	3,772	1,164
Trade and other receivables	495,783	377,542
Other financial assets	11,609	11,702
Property, plant and equipment	1,475	2,232
Goodwill and other intangibles	3,487	3,441
Total assets	**516,126**	**396,081**
Liabilities		
Trade and other payables	466,779	355,128
Provisions	923	702
Deferred tax liabilities	5,628	3,574
Total Liabilities	**473,331**	**359,404**
Net assets	**42,796**	**36,677**
Share capital	27,880	27,880
Reserves	(2,253)	(2,337)
Retained earnings	17,169	11,134
Total equity	**42,796**	**36,677**

Income Statement for the Closed Group

Commission income	326,269	279,046
Commission expense	(309,671)	(265,228)
Net commission income	16,598	13,818
Interest income	83	166
Interest expense	(154)	(439)
Net interest income/(expense)	(71)	(273)
Other income	6,831	8,596
Total net revenue	23,358	22,141
Operating expenses	(13,047)	(12,211)
Profit before income tax from continuing operations	**10,311**	**9,930**
Income tax expense	(4,192)	(2,883)
Net profit after tax	**6,119**	**7,047**
Items that will be reclassified to profit and loss		
Revaluation of financial assets	-	(97)
Total comprehensive income for the period, net of tax	**6,119**	**6,950**

7. OTHER NOTES

7.1 Property, plant and equipment

In thousands of AUD	Note	Consolidated 2021 $	Consolidated 2020 $	Bank 2021 $	Bank 2020 $
Office equipment and leasehold improvements		1,145	1,131	64	48
Accumulated depreciation		(926)	(851)	(33)	(19)
		219	280	31	29
Motor vehicles		44	44	44	44
Accumulated depreciation		(25)	(20)	(25)	(20)
		19	24	19	24
Computer equipment and IT hardware		539	676	145	283
Accumulated depreciation		(426)	(453)	(124)	(196)
		113	223	21	87
Right of use assets		4,191	4,191	761	761
Accumulated depreciation		(1,896)	(910)	(294)	(157)
		2,295	3,281	467	604
Total property, plant and equipment		2,646	3,808	538	744

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

Consolidated

In thousands of AUD	Right of Use Asset $	Office Equip & L/H imp $	Motor vehicles $	Computer equip & IT hardware $	Total $
Opening written down value at 1 July 2020	3,281	280	24	223	3,808
Additions	-	19	-	9	28
Disposals	-	(2)	-	(40)	(42)
Depreciation	(986)	(78)	(5)	(79)	(1,148)
Closing written down value at 30 June 2021	2,295	219	19	113	2,646

Bank

In thousands of AUD	Right of Use Asset $	Office Equip & L/H imp $	Motor vehicles $	Computer equip & IT hardware $	Total $
Opening written down value at 1 July 2020	604	29	24	87	744
Additions	-	19	-	9	28
Disposals	-	(2)	-	(40)	(42)
Depreciation	(137)	(15)	(5)	(35)	(192)
Closing written down value at 30 June 2021	467	31	19	21	538

7. OTHER NOTES

7.1 Property, plant and equipment (continued)

Accounting policy - Recognition and measurement

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

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

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

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

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

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements 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	15-33%	Straight-line
Right of use assets	20-33%	Straight-line
Motor vehicles	12.5%	Straight-line
Computer equipment and programs	20-50%	Straight-line

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

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

7. OTHER NOTES

7.2 Goodwill and other intangible assets

In thousands of AUD	Consolidated 2021 $	Consolidated Restated 2020 $	Bank 2021 $	Bank Restated 2020 $
Goodwill – at cost	19,172	19,172	-	-
Brandnames, trademarks and domain names	16,565	16,557	170	162
Software	8,704	8,638	-	-
Accumulated amortisation	(3,116)	(2,342)	-	-
	5,588	6,296	-	-
Broker relationships	4,075	4,075	-	-
Accumulated amortisation	(1,865)	(1,668)	-	-
	2,210	2,407	-	-
Other intangible assets	176	-	176	-
Accumulated amortisation	(22)	-	(22)	-
	154	-	154	-
Total goodwill and other intangibles	43,689	44,432	324	162

Reconciliation of intangible assets

Consolidated

In thousands of AUD	Goodwill $	Brand names & trademarks $	Software $	Broker relationships $	Other Intangible $	Total $
Balance as previously reported	19,172	16,557	11,474	2,407	-	49,610
Adoption of new accounting policy	-	-	(5,178)	-	-	(5,178)
Restated balance at 1 July 2020	19,172	16,557	6,296	2,407	-	44,432
Additions	-	8	571	-	176	755
Disposals	-	-	(345)	-	-	(345)
Amortisation	-	-	(934)	(197)	(22)	(1,153)
Closing balance at 30 June 2021	19,172	16,565	5,588	2,210	154	43,689

Reconciliation of intangible assets

Bank

In thousands of AUD	Brand names & trademarks $	Software $	Broker relationships $	Other Intangible $	Total $
Balance as previously reported	162	4,647	-	-	4,809
Adoption of new accounting policy	-	(4,647)	-	-	(4,647)
Restated balance at 1 July 2020	162	-	-	-	162
Additions	8	-	-	176	184
Amortisation	-	-	-	(22)	(22)
Closing balance at 30 June 2021	170	-	-	154	324

Refer to note 8.1 for the impact of adopting a new accounting policy in relation to capitalised software costs.

Accounting policy - recognition and measurement

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

7. OTHER NOTES

7.2 Goodwill and other intangible assets (continued)

Costs incurred in acquiring software or developing software, that is not cloud based Software as a Service (SaaS) (refer to Note 8.1) that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to computer software. Costs capitalised include external direct costs of materials, service, consultants spent on the project and internal costs of employees directly engaged in delivering the project. For software in the course of development, amortisation commences once development is complete and the software is in use.

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

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

Amortisation

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

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

- Software	3-10 years
- Broker relationships	6 years

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

Impairment testing for CGUs containing goodwill

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

In thousands of AUD	2021	2020
	$	$
Aggregation	12,000	12,000
Wholesale	-	1,000
Banking	7,172	6,172
Total goodwill	19,172	19,172

During the year, the Group has reassessed its CGUs in line with the review of segments as set out in note 2. The Banking and Wholesale CGUs have been combined and are now assessed as a single CGU.

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

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

Input	2021	2020
Discount rates (post-tax)	11%	11%
Terminal value growth rate	2.5%	2.5%
Budgeted revenue growth rates	8-37%	11-42%

NOTES TO THE FINANCIAL REPORT

7. OTHER NOTES

7.2 Goodwill and other intangible assets (continued)

Discount rates were determined after assessing the Group's weighted average cost of capital and adjusting for risks specific to the CGU and/or the risks inherent to the cash flow forecasts. The cash flow projections include specific estimates for 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 each CGU taking into account past experience and adjustments regarding expectations of future outcomes, including the potential impacts of COVID-19.

No impairment loss has been recognised for any CGU at 30 June 2021.

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

Input	Aggregation	Banking
Discount rates (post-tax)	0.4%	1.8%
Average budgeted revenue growth	(1.0%)	(4.5%)

7.3 Provisions

In thousands of AUD	Note	Consolidated 2021 $	Consolidated 2020 $	Bank 2021 $	Bank 2020 $
Provision for annual leave		1,249	992	295	216
Provision for long service leave		429	316	4	3
Total provisions		1,678	1,308	299	219

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.

	Consol ($)			Bank ($)		
IN THOUSANDS OF AUD	**Future minimum lease payments**	**Interest**	**Present value of lease payments**	**Future minimum lease payments**	**Interest**	**Present value of lease payments**
Less than one year	1,198	140	1,338	114	24	138
Between one and five years	1,937	93	2,030	379	26	405
			3,368			543

7. OTHER NOTES

7.4 Leases (continued)

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

Group acting as a lessee

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

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

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

Lease payments included in the measurement of the lease liability comprise the following:
- Fixed payments, including in-substance fixed payments; or
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.

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

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

Short-term leases and leases of low-value assets

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

Group acting as a lessor

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

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

7. OTHER NOTES

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:

In thousands of AUD	**2021 $**	**2020 $**
Short-term employee benefits	3,097	3,136
Post-employment benefits	200	218
Other long-term benefits	136	182
Termination benefits	100	212
	3,533	3,748

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

7.5.2 Share-Based Payments

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

Performance rights – grant dates

- On 9 February 2017, 1,700,000 performance rights were granted to executives in accordance with the terms of the BNK Equity Incentive Plan (BNKEIP). 1,200,000 have been exercised to date;
- On 1 November 2018, 100,000 performance rights were granted to four employees in recognition of their performance for the year ended 30 June 2018 ('FY18 Bonus'). All FY18 Bonus rights have vested with 20,000 from this grant remaining exercisable.
- On 16 April 2019, 500,000 performance rights were awarded to three senior employees of Finsure as retention rights. One third of these performance rights each vest on 1 July 2019, 1 July 2020 and 1 July 2021. For the first tranche that vested on 1 July 2019, 133,332 have been exercised. For the second tranche that vested on 1 July 2020, 133,333 have been exercised.
- On 5 December 2019, 250,000 performance rights were awarded to five employees in recognition of their performance for the year ended 30 June 2019 ('FY19 Bonus"). One third of these performance rights vest on 30 September 2020, 30 September 2021 and 30 September 2022 subject to the approval of the Remuneration Committee and continued service. For the first tranche, 50,001 have been exercised whilst 83,333 have been forfeited.
- On 28 August 2020, 450,000 performance rights were awarded to six employees in recognition of their performance for the year ended 30 June 2020 ('FY20 Bonus"). 50% of the performance rights vested immediately, with the remaining 50% deferred to 31 July 2024 subject to continued service. Of the performance rights available for immediate vesting, 190,000 have been exercised, and 40,000 forfeited. On 1 December 2020, 125,000 performance rights were awarded to Mr John Kolenda as a FY20 Bonus following receipt of shareholder approval at the 2020 Annual General Meeting.

7. OTHER NOTES

7.5.2 Share-Based Payments (continued)

Performance rights – fair value and vesting conditions

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

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

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

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

The amount recognised for the period ended 30 June 2021 in relation to the BNKEIP performance rights was $127,818 (2020: $128,168).

b) The fair value of the FY18 Bonus performance rights of $90,000 was determined with reference to the share price on the grant date of $0.90. The fair value of the grant is being recognised over the 20 month vesting period. The amount recognised in profit and loss for the year ended 30 June 2021 in relation to these performance rights was $148 (2020:$54,177).

e) The fair value of the retention performance rights of $315,000 was determined with reference to the share price on the grant date of $0.63. The fair value of the grant is being recognised over the respective vesting period of each tranche. The amount recognised in profit and loss for the year ended 30 June 2021 in relation to these performance rights was $47,728 (2020:$ 135,947.)

f) The fair value of the FY19 Bonus performance rights of $145,000 was determined with reference to the share price on the grant date of $0.58. The fair value of the grant is being recognised over the respective vesting period of each tranche. The amount recognised in profit and loss for the year ended 30 June 2021 in relation to these performance rights was $46,783 (2020: $58,390)

g) The fair value of the FY20 Bonus performance rights of $365,000 was determined with reference to the share price on the grant dates of $0.60 and $0.76 respectively. The fair value of the grant is being recognised over the respective vesting period of each tranche. The amount recognised in profit and loss for the year ended 30 June 2021 in relation to these performance rights was $75,482.

Unlisted Options

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

7. OTHER NOTES

7.5.2 Share-Based Payments (continued)

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

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

Accounting policy - recognition and measurement

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

7.5.3 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.

	2021 $	2020 $
Total value of term and savings deposits from KMP at reporting date	3,644	4,442
Total interest paid/payable on deposits to KMP	-	109
Total value of loans to KMP at reporting date	483,768	492,354
Total interest received/receivable on loans from KMP	33,464	36,386

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. OTHER NOTES

7.5.5 Related party transactions with director related entities (continued)

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

	2021 $	2020 $
Sub-lease income and other amounts recouped for services from Aura Group	446,457	446,325
Amounts paid to Aura Group for services	-	-
Amounts receivable from Aura Group	-	79,824

During the period, the Group paid $42,175 to Shadow Charters Pty Ltd, a related entity of Mr John Kolenda for boat charter services.

7.6 Auditor's remuneration

Auditors of the Group – KPMG

In AUD	2021 $	2020 $
Audit and review of the financial statements	335,716	291,270
Regulatory audit services	111,000	109,000
Total audit and assurance services	446,716	400,270
Accounting and tax opinions	25,047	50,000
Total advisory and other services	25,047	50,000
Total amounts paid/payable to KPMG	471,763	450,270

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

7.7 Standby borrowing facilities

The Company has an overdraft facility of $1,200,000 (2020: $1,200,000) with CUSCAL Ltd which is secured by a cash deposit. As at 30 June 2021, the entire facility was unused (2020: $nil).

7. OTHER NOTES

7.8 Commitments and contingencies

In thousands of AUD	**2021 $**	**2020 $**
(a) Capital expenditure	-	-
(b) Outstanding loan commitments		
Loans approved not advanced	13,861	701
Loan funds available for redraw	22,990	14,765
Unutilised overdraft limits	113	498
Total lending commitments	36,964	15,964
(c) Lease commitments		
Due not later than one month	123	92
Due later than one month and not later than three months	252	187
Due later than three months and not later than one year	1,082	860
Due more than one year but less than five years	2,253	2,765
Due more than five years	-	-
	3,710	3,904

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

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.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

7.9 Events subsequent to balance date

On 4 August 2021, the Company announced it had reached agreement with Goldman Sachs for an alliance to originate and service specialist residential mortgages funded by Goldman Sachs.

On 18 August 2021, the Company issued 4,950,000 performance rights to executives under the BNK Transformational Long-Term Incentive Scheme.

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

8. ACCOUNTING POLICIES AND NEW STANDARDS

8.1 Change in accounting policy

IFRIC Agenda Decision – *Configuration or customisation costs in a cloud computing arrangement (April 2021)*

The International Financial Reporting Standards Interpretations Committee (IFRIC) issued its agenda decision titled *Configuration or customisation costs in a cloud computing arrangement* in April 2021. This decision discusses whether configuration or customisation expenditure relating to Software as a Service (SaaS) arrangements can be recognised as an intangible asset and if not, over what time period the expenditure is expensed.

The Group's accounting policy has historically been to capitalise all costs associated with SaaS arrangements as intangible assets in the Statement of Financial Position. The adoption of the above agenda decision has resulted in a reclassification of these intangible assets to either a prepaid asset in the Statement of Financial Position and/or recognition as an expense in the Statement of Comprehensive Income, impacting both the current period and prior periods presented.

Software as a Service (SaaS) arrangements

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over a contract period. As such, IFRIC has concluded that SaaS arrangements do not provide an entity with an intangible asset at the commencement of a contract.

As a result of the IFRIC decision, costs previously capitalised as an intangible asset are now expensed in the period in which the costs are incurred where they relate to costs for use of the application software, customisation, configuration and data migration, testing and training.

Costs incurred for the development of software code that enhances or modifies, or creates additional capability to existing on-premise systems and meets the definition of and recognition criteria for an intangible asset are recognised as intangible assets, as set out in Note 7.2.

Historical financial information has been restated to account for the impact of the change in accounting policy in relation to SaaS arrangements as follows:

Statement of Financial Position	**Consolidated**			**Bank**		
In thousands of AUD	**2020 As previously reported $**	**Adjustments**	**2020 Restated $**	**2020 As previously reported $**	**Adjustments**	**2020 Restated $**
ASSETS						
Goodwill and other intangible assets	49,610	(5,178)	44,432	4,809	(4,647)	162
Deferred tax assets	-	-	-	1,178	1,394	2,572
Total assets	**839,287**	**(5,178)**	**834,109**	**447,747**	**(3,253)**	**444,495**
Deferred tax liabilities	13,686	(1,553)	12,133	-	-	-
Total liabilities	**726,421**	**(1,553)**	**724,868**	**347,795**	**-**	**347,795**
Net assets	**112,866**	**(3,625)**	**109,241**	**99,952**	**(3,253)**	**96,699**
Retained earnings	8,118	(3,625)	4,493	(4,936)	(3,253)	(8,189)
Total equity	**112,866**	**(3,625)**	**109,241**	**99,952**	**(3,253)**	**96,699**

8. ACCOUNTING POLICIES AND NEW STANDARDS

8.1 Change in accounting policy (continued)

Statement of Financial Performance		**Consolidated**			**Bank**	
In thousands of AUD	**2020 As previously reported $**	**Adjustments**	**2020 Restated $**	**2020 As previously reported $**	**Adjustments**	**2020 Restated $**
Operating expenses	27,857	2,144	30,000	8,191	1,674	9,865
Net profit before tax	**6,970**	**2,144**	**4,826**	**(2,267)**	**1,674**	**(3,941)**
Income tax expense/(benefit)	(1,645)	(643)	(1,002)	8	(502)	(495)
Net profit after tax	**5,325**	**(1,501)**	**3,824**	**(2,274)**	**1,172**	**(3,446)**
Basic earnings per share (cents)	6.14		4.35			
Diluted earnings per share (cents)	6.03		4.28			

Statement of Cash flows		**Consolidated**			**Bank**	
In thousands of AUD	**2020 As previously reported $**	**Adjustments**	**2020 Restated $**	**2020 As previously reported $**	**Adjustments**	**2020 Restated $**
Payments to suppliers and employees	(181,392)	(2,281)	(183,673)	(9,005)	(1,811)	(10,816)
Net cash used in operating activities	**(877)**	**(2,281)**	**(3,158)**	**(3,992)**	**(1,811)**	**(5,802)**
Payments to acquire intangible assets	(3,609)	2,281	(1,328)	(1,882)	1,811	(71)
Net cash (used in)/from investing activities	**(3,145)**	**2,281**	**864**	**(1,401)**	**1,811**	**410**

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 2021 are in accordance with the Corporations Act 2001, including:
        i. Giving a true and fair view of its financial position as at 30 June 2021 and performance for the financial year ended on that date;
        ii. Complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

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

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

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2021.

On behalf of the Board

Don Koch
Chairman

27 August 2021

Independent Auditor's Report

To the shareholders of BNK Banking Corporation Limited

Report on the audit of the Financial Report

Opinion

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

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group*** and ***Company's*** financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

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

- Statements of financial position as at 30 June 2021
- Statements of profit or loss and other comprehensive income, Statements of changes in equity, and Statements of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

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

Basis for opinion

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

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

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

KPMG

Key Audit Matters

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

- Loans and Advances – Provision for credit losses

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

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

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our 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.

Loans and Advances - Provision for credit losses $1.2 million – Group and Company	
Refer to Note 3.2 to the Group and Company Financial Report	
The key audit matter	**How the matter was addressed in our audit**
Expected credit loss (ECL) provisions for loans and advances held at amortized cost is a key audit matter due to the significance of loans and advance balances, the degree of complexity and judgement applied by the Group and Company in determining the provisions, and the judgement required by us in challenging these estimates. The ECL model is reliant on numerous data inputs and assumptions including past historical data the Group and Company used to determine probabilities of default as well as incorporating forward-looking information. We used judgement to assess the ECL model's application of the requirements in AASB 9 Financial Instruments. This includes the assumptions made by the Group and Company in determining what represents a significant increase in credit risk, the method used to calculate the probability of default and loss given default based on the staging criteria required and judgement around the impact of COVID-19 on forward-looking information. We involved credit specialists to supplement our senior audit team members in assessing this key audit matter.	Our procedures included: • Evaluated the Group and Company's processes and tested key controls such as: - Reconciliation of historical loan portfolio data used in the model to determine probability of default to the underlying core banking system; and - Management's review and approval of the ECL model and key assumptions used. • Assessed the methodology in the ECL model, including relevant adjustments for COVID-19, against the requirements in the accounting standards and our understanding of industry practice; • Tested the integrity of the ECL model, including the accuracy of the underlying calculations; • Tested a sample of key data elements used in determining the probability of default such as historical default rates to relevant source systems; • Challenged the assumptions for calculating the exposures at default used by the Group and Company to determine the loss given default in the ECL model by comparing these to our understanding of

	the Group's loans and advances portfolio, including those in COVID-19 deferral programs, and the industry and markets the Group and Company operate in; • Comparing the output of the ECL model to the expected credit loss provision recorded in the financial report; and • Assessment of the Group's disclosures using our understanding obtained from our testing and the requirements of the accounting standards.

Carrying Value of Goodwill and other intangible assets $43.7 million – Group	
Refer to Note 7.2 to the Group Financial Report	
The key audit matter	**How the matter was addressed in our audit**
A key audit matter was the Group's annual testing of goodwill and other intangible assets for impairment given the extent of judgement involved and the financial significance of the Goodwill and other identifiable intangible assets recognised. We focused on the key assumptions the Group applied in their value in use ("VIU") models for each Cash Generating Unit ("CGU"), including: • Budgeted revenue growth rates; • Terminal value growth rates; and • Discount rates used specific to each of the two CGUs, Banking and Aggregation. These assumptions and rates are complicated in nature and vary according to the conditions and environment the specific CGU is subject to from time to time. The assumptions and rates are based on historical performance and forward looking budgeting taking into account the Group's strategy, market conditions, COVID-19 impacts, emerging regulatory changes and industry developments, making them judgemental in nature. The Group's modelling is sensitive to small changes in the discount rates and terminal value growth rates used. We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.	Our procedures included: • Considered the Group's determination of their CGUs based on our understanding of the operations of the Group's business and how independent cash flows were generated, against the requirements of the accounting standards; • Worked with our valuation specialists to: – assess the appropriateness of the Group's use of the value in use method to perform the annual test of goodwill for impairment against the requirements of the accounting standards; – assess the integrity of the VIU models used, including the accuracy of the underlying calculation formulas; and – independently develop a discount rate range considered comparable using publicly available market data for comparable entities, adjusted by risk factors specific to the Group and the industry it operates in. • Assessed the reasonableness of the budgeted revenue growth rates contained in the VIU models by comparing Board approved forecasts to Group budgets and actual results to inform our evaluation of the forecasts incorporated in the models;

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Challenged the significant budgeted revenue growth rate assumptions and terminal value growth rates in light of the Group’s strategy taking into account market conditions, including the impacts of COVID-19 and emerging regulatory changes. We compared budgeted revenue growth rates and terminal value growth rates to industry trends and expectations, and considered differences for the Group’s operations. We used our knowledge of the Group, their past performance, business and customers, and our industry experience;
Considered the sensitivity of the models by varying key assumptions, such as discount rates and growth rates, within a reasonably possible range. We did this to identify those assumptions at higher risk of bias or inconsistency in application and to focus our further procedures; and
Assessed the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.

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<tr><td colspan="2">Net Present Value of future trail commission receivable $505.7 million and payable $453.4 million – Group</td></tr>
<tr><td colspan="2">Refer to Note 4.4 to the Group Financial Report</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>
The Group earns and pays trail commissions over the life of the loans resulting in a trail commission receivable of $505.7 million and trail commission payable of $453.4 million.
This is a key audit matter due to the significant judgement we applied to assess the Group’s estimation of the value of trail commissions receivable and payable across trail commission portfolios. We focused on the key assumptions the Group applied in their net present value (NPV) model, including:

Discount rates per annum;
Percentage of commissions paid to brokers across different portfolios; and
Weighted average life of aggregation, wholesale, and total portfolio loans.

We involved our valuation specialists in assessing this key audit matter.
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Our procedures included:

Evaluated the Group’s processes and tested key controls such as the review and approval of assumptions used in the Group’s NPV model for estimating the value of the trail commissions receivable and payable;
Assessed the extraction of loan data used in the Group’s NPV model for completeness and accuracy by testing a sample of commission contract rates back to broker agreements;
Worked with our valuation specialists to:

assess the appropriateness of the methodology adopted in the Group’s NPV model across the trail commission portfolios against accepted industry practice and the requirements of the accounting standards;

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	– evaluate the key assumptions such as discount rates, weighted average life and percentages of commissions paid against publicly available market data for comparable entities; and – assess the integrity of the Group's NPV model including the accuracy of the underlying calculation formulas. • Evaluated the sensitivity of the NPV model calculations by considering reasonably possible changes to the discount rate and weighted average life rates. We did this to identify those assumptions at higher risk of bias or inconsistency in application and to focus our further procedures; and • Assessment of the adequacy of disclosures against the requirements of the accounting standards.

Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

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

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of BNK Banking Corporation Limited for the year ended 30 June 2021, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

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

Our responsibilities

We have audited the Remuneration Report included in pages 14 to 26 of the Directors' report for the year ended 30 June 2021.

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

KPMG

KPMG

Nicholas Buchanan

Partner

Sydney

27 August 2021

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 27 August 2021.

(a) Distribution of equity securities

Spread of holdings		Number of holders	Number of units	Percentage of total issued capital
1 -	1,000	114	60,674	0.053%
1,001 -	5,000	1,563	3,771,330	3.303%
5,001 -	10,000	86	701,565	0.614%
10,001 -	100,000	275	9,914,324	8.683%
100,001+		92	99,739,507	87.347%
TOTAL		**2,130**	**114,187,400**	**100%**

(b) Twenty largest holders of quoted equity securities

Rank	Shareholder	Number of units	Percentage of issued capital
1	Somers Limited	16,236,911	14.22%
2	John Kolenda	13,302,952	11.65%
3	SF Legacy Investments Pty Ltd	12,981,315	11.25%
4	Kar Wing Ng	7,335,747	6.42%
5	HSBC Custody Nominees (Australia) Pty Ltd	6,107,143	5.35%
6	National Nominees Limited	3,642,233	3.19%
7	Aoyin Group Limited	2,629,996	2.30%
8	Carpe Diem Asset Management Pty Ltd	2,430,190	2.13%
9	Noah James Investments Pty Ltd	2,361,515	2.07%
10	Koleet Pty Ltd	2,150,144	1.88%
11	RTL Group Investments Pty Ltd	2,000,000	1.88%
12	Firstmac Limited	1,769,416	1.55%
13	Citicorp Nominees Pty Ltd	1,615,484	1.41%
14	Savot 1 Pty Ltd	1,517,939	1.33%
15	Wayne Hosking and Bernadette Williams	1,440,000	1.26%
16	Simon and Jennifer Bednar	1,343,666	1.18%
17	BNP Paribas Noms Pty Ltd	1,292,028	1.13%
18	CS Third Nominees Pty Ltd	1,244,060	1.09%
19	Vanval Investments Pty Ltd	1,153,333	1.01%
20	Aura Private Wealth Pty Ltd	808,913	0.71%
			73.01%