

**BNK Banking Corporation Limited – Half Year Report
(Appendix 4D) for the half year ended 31 December 2022**

The Directors of BNK Banking Corporation Limited (the “Company”) are pleased to announce the results of the Company for the half year ended 31 December 2022 as follows:

Results for announcement to the market

Extracted from the Interim Financial Statements for the half year ended	Movement	\$'000 31 December 2022	\$'000 31 December 2021
Revenue from continuing operations	12%	8,557	7,607
Profit/(loss) after tax attributable to Members (Continuing operations)	(14%)	(2,685)	(2,354)

Dividend Information	Amount Per Share (cents)	Franked Amount per Share (cents)	Tax rate for franking credit
Special Dividend 2022	34	34	30%
Ex-dividend Date	18 July 2022		
Record Date	19 July 2022		
Payment Date	26 July 2022		

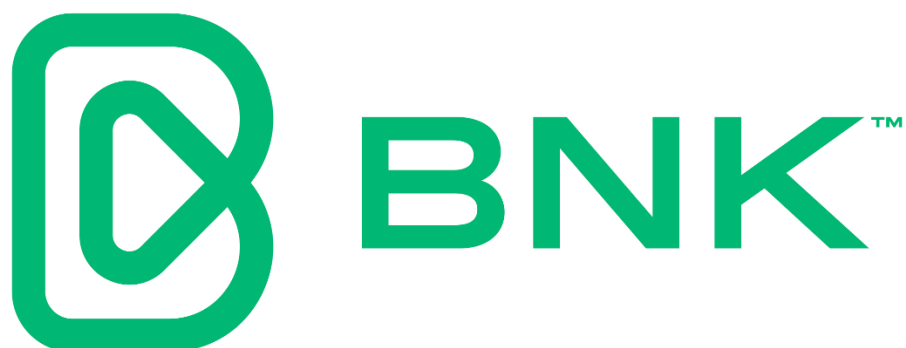
	31 December 2022	31 December 2021
Net Tangible Assets per share (continuing operations)	\$1.03	\$1.07

The remainder of the information requiring disclosure to comply with Listing Rule 4.2A is contained in the attached copy of the Interim Financial Statements and comments on performance of the Company included in the Investor Presentation dated 24 February 2023.

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

Yours faithfully


Jessie Klarić
Company Secretary



BNK Banking Corporation Limited
ACN 087 651 849

Interim Financial Report
For the six months ended 31 December 2022

CONTENTS

CORPORATE INFORMATION	3
DIRECTORS' REPORT	4
AUDITOR'S INDEPENDENCE DECLARATION	6
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	7
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME.....	8
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	9
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS.....	10
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS	11
DIRECTORS' DECLARATION	23
INDEPENDENT AUDITOR'S REVIEW REPORT	24

CORPORATE INFORMATION

ACN: 087 651 849

Directors

Mr. Don Koch	(Chairman and Non-Executive Director)
Mr. Jon Denovan	(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	(Non-Independent Non-Executive Director)
Mr Daniel Crennan	(Independent Non-Executive Director)

Company Secretary

Ms Jessie Klaric

The registered office and principal place of business of the Company is:

Level 14, 191 St George's Terrace
Perth WA 6000
Phone: +(618) 9438 8888

Other Locations:

Level 5, 50 Cavill Avenue
Surfers Paradise Qld 4217

Sydney Office
Level 24, 52 Martin Place
Sydney NSW 2000

Share Registry:

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

Exchange Listing

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

Auditors:

KPMG
300 Barangaroo Avenue
Sydney NSW 2000

Website Address:

www.bnk.com.au

Corporate Governance:

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

DIRECTORS' REPORT

The Directors present their report on the consolidated entity comprising BNK Banking Corporation Limited ("BNK" or the "Company") and the entities it controlled ("the Group") as at or during the half-year ended 31 December 2022.

DIRECTORS

The names of the Company's Directors in office during the half-year and until the date of this report are set out below. Directors were in office for the entire period unless otherwise stated.

D J Koch	Chairman and Non-Executive Director
J Denovan	Deputy Chairman and Non-Executive Director
E A Aris	Non-Executive Director
M L Guthrie	Non-Executive Director
K W Ng	Non-Executive Director
Mr J Kolenda	Non-Executive Director (appointed 30 September 2022)
Mr D J Crennan	Non-Executive Director (appointed 17 October 2022)
P H Hall	Non-Executive Director (retired 31 October 2022)

PRINCIPAL ACTIVITIES

The principal activities of the Group were the provision of retail banking and wholesale mortgage management. During the comparable period of FY22, this also included 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 reports.

The reconciliation between the statutory results (IFRS) and the management/underlying reported (non-IFRS) results is presented below:

	1H23	1H22	Change
Statutory Net Profit/(Loss) After Tax (\$'000s) from continuing operations	(2,685)	(2,354)	(14%)
Revenue adjustments			
• Non-recurring gain on sale of Cuscal shares	-	(319)	
Expense adjustments			
• IFRS fair value adjustments from Finsure acquisition	-	289	
• Strategic review transaction costs	-	417	
Tax effect of adjustments	-	(116)	
Discontinuing operations (net of tax) (Note 6)	-	5,070	
Underlying Net Profit after Tax (\$'000s) (Management-reported results)	(2,685)	2,987	(190%)

DIRECTORS' REPORT (cont'd)

REVIEW AND RESULTS OF OPERATIONS

The Group recorded an underlying net loss from continuing operations after tax of \$2.7 million for the half-year ended 31 December 2022, an increased loss of \$0.3m (14%) on the comparative period for continuing operations. Underlying earnings per share decreased 10% to (2.26) cents per share for continuing operations.

Net interest income grew by 49% reflecting the continued growth in the loan book. By contrast operating expenses grew 13% to provide a strong platform for future growth balanced with revenue growth.

Lending settlements remained strong during the half at \$487m, flat against the comparative half as the Bank continues transforming its business as an on balance sheet lender, leveraging the prime and specialist warehouses. The total loan book, excluding any offset balances, increased by 3.3% to \$2.8b (up from \$2.7b at 30 June 2022) and the higher margin on balance sheet loan book increased 19% to \$1.17b (up from \$986m at 30 June 2022).

The on balance sheet loan book comprises 97% residential mortgages with an average loan to valuation ratio of 47% (weighted average LVR 56%).

Credit quality remains sound with loans more than 90 days in arrears equating to just 0.1% of total on balance sheet loans. No credit write-offs occurred in the half, and the business now reflects a diversified national lender.

At 31 December 2022, the Group maintained a capital adequacy ratio of 25.6% (H1 FY22: 21.4%).

During the period, the Group recorded a Net Interest Margin (NIM) of 1.33%, up from 1.23% at 30 June 2022 as the group commenced its pivot to higher margin SME lending.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs during the reporting period.

EVENTS SUBSEQUENT TO BALANCE DATE

There have been no events subsequent to the balance date.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' Report.

ROUNDING

These consolidated financial statements are presented in Australian dollars which is the Company's functional currency. The Group is of 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 to the nearest thousand dollars, unless otherwise stated.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.


Don Koch

Chairman and Non-executive Director

Dated this 24th day of February 2023



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 review of BNK Banking Corporation Limited for the half-year ended 31 December 2022 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.


KPMG



Nic Buchanan

Partner

Sydney

24 February 2023

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

<i>In thousands of AUD</i>	Note	31 Dec 2022	30 Jun 2022
		\$	\$
Assets			
Cash and cash equivalents	12	198,809	140,027
Due from other financial institutions		57,593	102,528
Other financial assets	14	159,584	164,586
Loans and advances	15	1,172,959	990,066
Trade and other receivables	13	13,385	8,826
Contract assets		18,444	21,032
Property, plant and equipment		649	812
Goodwill and other intangible assets		7,397	7,407
Total Assets		1,628,820	1,435,284
Liabilities			
Deposits		1,183,035	964,589
Other financial liabilities	16	285,421	245,519
Trade and other payables	17	4,789	7,059
Contract Liabilities		6,642	7,453
Current tax liability	17	17,322	17,423
Provisions		1,260	1,037
Deferred tax assets/ liabilities net		1,028	1,828
Total Liabilities		1,499,497	1,244,908
Net Assets		129,323	190,376
Equity Attributable to Equity Holders			
Contributed equity			
Issued capital, net of raising costs	18	100,328	118,943
Reserves		1,796	1,634
Retained earnings		27,199	69,799
Total Equity		129,323	190,376

The accompanying notes form part of these financial statements

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER**

<i>In thousands of AUD</i>	Note	31 Dec 2022	31 Dec 2021
		\$	\$
Interest revenue from banking activities	8	23,808	8,779
Interest expense on banking activities		(15,096)	(2,923)
Net interest income		8,712	5,856
Commission income	7	1,072	2,120
Commission expense	7	(3,201)	(2,045)
Net commission income/(expense)		(2,129)	75
Other income	9	1,974	1,676
Total net revenue		8,557	7,607
Operating expenses	10	(11,779)	(10,402)
Impairment of loans, advances and other receivables	15	(497)	(417)
(Loss)/Profit before income tax from continuing operations		(3,719)	(3,212)
Income tax (expense)/benefit	11	1,034	858
(Loss)/Profit from continuing operations		(2,685)	(2,354)
Discontinued operations			
Profit from discontinued operation, net of tax	6	-	5,070
(Loss)/Profit for the period		(2,685)	2,716
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss		-	-
Total comprehensive income for the period		(2,685)	2,716
Earnings per share			
Basic earnings per share (cents)	23	(2.26)	2.37
Diluted earnings per share (cents)	23	(2.26)	2.34
Loss per share – continuing operations			
Basic loss per share (cents)	23	(2.26)	(2.05)
Diluted loss per share (cents)	23	(2.26)	(2.05)

The accompanying notes form part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER**

In thousands of AUD

Attributable to equity holders

	Issued Capital	Equity Raising Costs	Treasury Share Reserve	Liquidity Reserve	General Reserve for Credit Losses	Share-based Payments Reserve	Retained Earnings	Total Equity
	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 30 June 2022	122,275	(3,332)	(103)	-	446	1,291	69,799	190,376
Profit for the period	-	-	-	-	-	-	(2,685)	(2,685)
Total comprehensive income	-	-	-	-	-	-	(2,685)	(2,685)
Transactions with owners of the Company								
Cost of share-based payments	-	-	-	-	-	272	-	272
Dividends	-	-	-	-	-	-	(40,359)	(40,359)
Capital Return	(18,995)	-	-	-	-	-	-	(18,995)
Reclassification of reserve	-	-	-	-	(446)	-	446	-
SPV reserve movement	-	-	-	345	-	-	-	345
Issue of share capital	385	(4)	-	-	-	(10)	-	370
Balance at 31 December 2022	103,665	(3,337)	(103)	345	-	1,553	27,199	129,323
Balance at 30 June 2021	120,035	(3,307)	(103)	-	446	891	10,012	127,974
Profit for the period	-	-	-	-	-	-	2,716	2,716
Total comprehensive income	-	-	-	-	-	-	2,716	2,716
Transactions with owners of the Company								
Cost of share-based payments	-	-	-	-	-	558	-	558
Issue of share capital	656	(8)	-	-	-	(656)	-	(8)
Balance at 31 December 2021	120,691	(3,315)	(103)	-	446	793	12,728	131,240

The accompanying notes form part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER**

	Note	31 Dec 2022 \$	31 Dec 2021 \$
<i>In thousands of AUD</i>			
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		23,808	8,814
Fees and commissions received		762	159,918
Interest and other costs of finance paid		(15,083)	(2,961)
Other income received		14	19
Payments to suppliers and employees		(17,521)	(165,566)
Net increase in loans, advances and other receivables		(182,341)	(202,500)
Net increase in deposits		218,446	193,049
Net (payments)/receipts for investments		49,937	(46,258)
Net cash from/(used in) operating activities		<u>78,022</u>	<u>(55,485)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash used in investing activities		<u>-</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		39,888	86,847
Payments for equity raising costs		(4)	(8)
Payments for lease liabilities		(155)	(690)
Payment of capital return		(18,610)	-
Payment of dividend		(40,359)	-
Net cash from/(used in) financing activities		<u>(19,240)</u>	<u>86,149</u>
Net increase/(decrease) in cash held		<u>58,782</u>	<u>30,664</u>
Cash and cash equivalents at 1 July		140,027	47,285
Cash and cash equivalents at the end of the period		198,809	77,949
Less cash attributed to discontinued operation		-	(8,267)
Cash and cash equivalents continuing operations		<u>198,809</u>	<u>69,682</u>

The Consolidated Statement of Cash Flows includes all cash flows of the Group. Refer to note 6.B. for the summarised cash flows of the discontinued operation.

The accompanying notes form part of these financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

BNK Banking Corporation Limited (“the Company”) is a company incorporated and domiciled in Australia. These condensed consolidated interim financial statements (“interim financial statements”) as at and for the six months ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as “the Group”). The principal activities of the Company are the provision of banking products and services and mortgage management.

2. BASIS OF PREPARATION

These interim financial statements are general purpose financial statements prepared in accordance with Australian Accounting Standard (AASB) 134 'Interim Financial Reporting' and the Corporations Act 2001, and with IAS 34 'Interim Financial Reporting'.

The interim financial statements do not include all the information required for a complete set of annual financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2022.

These interim financial statements were authorised for issue by the Company's Board of Directors on 24th February 2023.

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

3. CRITICAL ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGEMENTS

The preparation of these interim financial statements that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Groups accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements to 30 June 2022.

The Company's application and measurement of fair values is explained in note 22.

4. CHANGE IN ACCOUNTING POLICY

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2022. The policy for recognizing and measuring income taxes in the interim period is consistent with that applied in the previous interim period and is described in note 11.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

In thousands of AUD

5. SEGMENT INFORMATION

AASB 8 requires operating segments to be identified on the basis of internal information provided to the chief decision maker, the Board of Directors, in relation to the Group's business activities. Prior to the sale of Finsure in February 2022, the Group operated under two reporting segments, Aggregation and Bank. As a result of the sale, the Group now operates under a single segment of Bank for which information is provided regularly to the Board of Directors.

All elements within this interim financial report to December 2022 relate to the single reporting segment of Bank (continuing operations).

Banking

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

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

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

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

6. DISCONTINUED OPERATION

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

The Aggregation division was previously classified as held-for-sale (31 December 2021).

There have been no operations discontinued during the reporting period to 31 December 2022.

A. Results of discontinued operation

<i>In thousands of AUD</i>	31 Dec 2021
	\$
Revenue	265,853
Elimination of inter-segment revenue	-
External revenue	265,853
Expenses	(258,541)
Elimination of inter-segment expenses	20
External expenses	(258,521)
Results from discontinued operating activities	7,332
Income tax expense	(2,262)
Results from discontinued operating activities, net of tax	5,070
Basic earnings per share	4.42
Diluted earnings per share	4.38

The gain on disposal attributable from the sale of the Aggregation division was recognised in H2 FY22.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

In thousands of AUD

6. DISCONTINUED OPERATION (CONTD)

B. Cash flows from (used in) discontinued operation

<i>In thousands of AUD</i>	31 Dec 2021
	\$
Net cash from operating activities	4,514
Net cash from/(used in) investing activities	212
Net cash used in financing activities	(198)
Net cash flows for the period	4,528

7. COMMISSION INCOME AND EXPENSE

	31 Dec 2022	31 Dec 2021
	\$	\$
Upfront commission income	862	1,190
Trail commission income	2,798	3,459
Movement in net present value of future trail commission receivable	(2,588)	(2,529)
Total commission income	1,072	2,120
Upfront commission expense	1,818	1,277
Trail commission expense	2,194	2,119
Movement in net present value of future trail commission payable	(811)	(1,351)
Total commission expense	3,201	2,045

8. INTEREST INCOME

	31 Dec 2022	31 Dec 2021
	\$	\$
Loans and advances	21,067	8,522
Deposits with other institutions	2,741	257
Total interest income	23,808	8,779

9. OTHER INCOME

	31 Dec 2022	31 Dec 2021
	\$	\$
Service fees and residual income	832	316
Lending fees	622	482
Transaction fees	506	522
Other	14	356
Total other income	1,974	1,676

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

In thousands of AUD

10. OPERATING EXPENSES	31 Dec 2022	31 Dec 2021
	\$	\$
Depreciation and amortisation	173	193
Information technology	1,011	872
Cloud based technology	109	662
Banking services delivery	190	243
Employee benefits	7,383	6,382
Professional services	1,441	646
Marketing	160	151
Occupancy	139	127
Other administration expenses	1,173	1,126
Total operating expenses	11,779	10,402

11. INCOME TAX	31 Dec 2022	31 Dec 2021
	\$	\$
The major components of income tax benefit recognised are:		
Current income tax expense	-	-
Deferred income tax (benefit) – continuing operations	(1,034)	(858)
Deferred income tax expense – continuing operations	-	-
Deferred income tax expense – discontinuing operations	-	2,262
Income tax (benefit)/expense	(1,034)	1,404

Income tax expense is recognised at an amount determined by multiplying the profit (loss) before tax for the interim reporting period by the annual income tax rate expected for the full financial year, adjusted for the tax effect of certain items recognised in full in the interim period.

12. CASH AND CASH EQUIVALENTS	31 Dec 2022	30 Jun 2022
	\$	\$
Reconciliation of cash:		
Cash at the end of the period as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
Cash at bank and on hand	198,809	140,027
	198,809	140,027

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In thousands of AUD

13. TRADE AND OTHER RECEIVABLES

31 Dec 2022 30 June 2022

	\$	\$
Accrued commission income	382	530
Securitisation deposits	10,742	3,253
Prepayments	862	1,230
Trade and other receivables	1,483	3,897
Less provision for impairment	(84)	(84)
	<u>13,385</u>	<u>8,826</u>

14. OTHER FINANCIAL ASSETS

31 Dec 2022 30 Jun 2022

	\$	\$
Investments in debt securities (measured at amortised cost)	159,584	164,586
	<u>159,584</u>	<u>164,586</u>

Investments in debt securities totalling \$13,810,000 have been provided as collateral to the RBA in respect of the Company's Term Finance Facility – refer note 16.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
In thousands of AUD

15. LOANS AND ADVANCES

	31 Dec 2022	30 Jun 2022
	\$	\$
(a) Classification		
Residential loans	1,130,097	972,090
Commercial loans	35,237	13,166
Personal loans	256	327
Overdrafts	2,786	452
Total gross loans and advances	1,168,376	986,035
Add: Unamortised broker commissions	6,944	5,895
Gross loans and receivables	1,175,320	991,930
Provision for impairment	(2,361)	(1,864)
	1,172,959	990,066

(b) Provision for impairment

Expected credit loss provision

Opening balance at 1 July 2022	1,864
Credit losses provided for	497
Bad debts written off during the period	-
Closing balance at 31 December 2022	2,361

The increase in the expected credit loss provision is proportionally due to the increase in the gross carrying amount of loans and advances that includes a redirection towards Commercial lending. During the period, the Company updated the methodology within its ECL provisioning to recognise an increased level of risk associated with writing Commercial loans.

(c) Credit quality – loans and advances

	31 Dec 2022	30 Jun 2022
	\$	\$
Past due but not impaired		
30 days & less than 90 days	6,012	2,994
90 days & less than 182 days	1,027	697
182 days or more	440	283
	7,479	3,974
Impaired - mortgage loans		
Up to 90 days	-	-
Greater than 90 days	-	-
	-	-
Total past due and impaired	7,479	3,974
Neither past due nor impaired	1,160,897	982,061
Total gross loans and advances	1,168,376	986,035

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
In thousands of AUD

16. OTHER FINANCIAL LIABILITIES

	31 Dec 2022	30 Jun 2022
	\$	\$
Reserve Bank Term Finance Facility	13,810	13,797
Securitisation liabilities	247,927	208,155
Subordinated debt	23,684	23,567
Total borrowings	285,421	245,519

The Subordinated debt characteristics remain unchanged from the annual financial statements to 30 June 2022.

Securitisation liabilities represent the continued utilisation of the securitisation warehouse funding facility established during the previous year. The securitisation warehouse has a facility limit of \$250 million.

17. TRADE AND OTHER PAYABLES

	31 Dec 2022	30 Jun 2022
	\$	\$
Trade creditors and accrued expenses	3,906	5,931
Accrued commission payable	172	262
Lease liabilities	711	866
	4,789	7,059
Current tax payable	17,322	17,423
	22,111	24,482

18. SHARE CAPITAL

	Number of shares	31 Dec 2022
		\$
Issue capital		
Beginning of the interim period	118,202,738	122,275
Movements in the period		
Exercise of performance rights	16,667	10
Issue Share Options	500,000	375
Capital Return	-	(18,995)
Balance at the end of the interim period	118,719,405	103,665
Equity raising costs		
Balance at the beginning of the interim period		(3,332)
Costs incurred from exercise of performance rights		(5)
Balance at the end of the interim period		(3,337)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In thousands of AUD

19. DIVIDENDS

31 Dec 2022 30 Jun 2022

\$ \$

The following dividend was declared and paid by the Company

34.00 cents per qualifying share (2021: nil)

40,359 -

40,359 -

20. SHARE-BASED PAYMENTS

During the interim period ended 31 December 2022, no new share based payment arrangements were entered into.

21. COMMITMENTS AND CONTINGENT LIABILITIES

31 Dec 2022 30 Jun 2022

\$ \$

At the reporting date, the company had the following loan and overdraft commitments outstanding:

Loans approved but not advanced

22,807 30,496

Loan funds available for redraw

37,475 29,397

Unutilised overdraft limits

235 256

60,517 60,149

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In thousands of AUD

22. FINANCIAL INSTRUMENTS

A. ACCOUNTING CLASSIFICATIONS AND FAIR VALUES

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

31 December 2022 <i>In thousands of AUD</i>	Carrying Amount				Fair value		
	Amortised cost	Fair value OCI – equity instruments	Fair value profit or loss	Fair value OCI	Level 1	Level 2	Level 3
	\$	\$	\$	\$	\$	\$	\$
Financial assets:							
Cash and cash equivalents	198,809					198,809	
Due from other financial institutions	57,593					57,593	
Investment securities	159,584					154,047	
Loans and advances	1,172,959					1,189,077	
Other receivables	13,385					13,385	
Total	1,602,330					1,612,842	
Financial liabilities:							
Deposits	1,183,035					1,183,545	
Other funding liabilities	285,421					285,421	
Creditors and other payables	21,501					21,501	
Total	1,489,956					1,490,467	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In thousands of AUD

22. FINANCIAL INSTRUMENTS (CONT'D)

A. ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (CONT'D)

30 June 2022	Carrying Amount				Fair value		
<i>In thousands of AUD</i>	Amortised cost	Fair value OCI – equity instruments	Fair value profit or loss	Fair value OCI	Level 1	Level 2	Level 3
	\$	\$	\$	\$	\$	\$	\$
Financial assets:							
Cash and cash equivalents	140,027					140,027	
Due from other financial institutions	102,528					102,528	
Accrued commission receivable	530					530	
Investment securities	164,586					158,477	
Loans and advances	990,066					1,021,766	
Total	1,397,737					1,423,328	
Financial liabilities:							
Deposits	964,589					965,437	
Other financial liabilities	245,519					245,519	
Creditors and other payables	6,193					6,193	
Total	1,216,301					1,217,149	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
In thousands of AUD

22. FINANCIAL INSTRUMENTS (CONT'D)

B. FAIR VALUE MEASUREMENT

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

There were no reclassifications between the levels during the interim reporting period or the previous reporting period.

23. EARNINGS PER SHARE

The following reflects the net income and share information used in the calculation of basic and diluted earnings per share:

	31 Dec 2022	31 Dec 2021
	\$	\$
Profit/(Loss) for the period (\$'000s)	(2,685)	2,716
Profit/(Loss) for the period – Continuing operations	(2,685)	(2,354)
Profit/(Loss) for the period – Discontinued operations	-	5,070
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic earnings per share:	118,659,713	114,813,764
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	118,725,338	115,872,945
Basic earnings per share (cents)	(2.26)	2.37
Diluted earnings per share (cents)	(2.26)	2.34
Basic loss per share (cents) – Continuing operations	(2.26)	(2.05)
Diluted loss per share (cents) – Continuing operations	(2.26)	(2.05)
Basic earnings per share (cents) – Discontinued operations	-	4.42
Diluted earnings per share (cents) – Discontinued operations	-	4.38

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In thousands of AUD

24. RELATED PARTIES

There were no related party transactions during the reporting period.

25. CHANGES IN ACCOUNTING STANDARDS

A. Changes adopted in the current period

There are no new accounting standards becoming effective during the reporting period that have resulted in changes to the preparation of these condensed consolidated interim financial statements.

B. Changes to be adopted in future periods

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted. The Group has not adopted any of the forthcoming new or amended standard in preparing these condensed consolidated interim financial statements.

26. EVENTS SUBSEQUENT TO BALANCE DATE

There have been no events subsequent to the balance date.

DIRECTORS' DECLARATION

In accordance with a resolution of directors of BNK Banking Corporation Limited, I state that:

In the opinion of the directors:

- (a) The consolidated financial statements and notes set out on pages 7 to 22 of BNK Banking Corporation Limited for the half-year ended 31 December 2022 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the six month period ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 *'Interim Financial Reporting'* the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:


Don Koch
Chairman and Non-executive Director
Dated this 24th day of February 2023
Sydney

Independent Auditor's Review Report

To the shareholders of BNK Banking Corporation Limited

Conclusion

We have reviewed the accompanying **Interim Financial Report** of BNK Banking Corporation Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of BNK Banking Corporation Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The Interim Financial Report comprises:

- Consolidated statement of financial position as at 31 December 2022
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date
- Notes 1 to 25 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The Group comprises BNK Banking Corporation Limited (the Company) and the entities it controlled at the half year's end or from time to time during the Half-year.

The Interim Period is the six months ended on 31 December 2022.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of BNK Banking Corporation Limited, would be in the same terms if given to the Directors as at the time of this Auditor's Review Report.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Group are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the Interim Period ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a Interim Period Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



KPMG



Nic Buchanan

Partner

Sydney

24 February 2023