APS 330 Common Disclosure

As at
30 June 2020

APS 330 Common Disclosure

Attachment A: In accordance with APRA Prudential Standard APS 330 on a Level 2 Basis

	COMMON EQUITY TIER 1 CAPITAL: INSTRUMENTS & RESERVES	A$m
1	Directly issued qualifying ordinary shares (and equivalent for mutually owned entities) capital	106.270
2	Retained earnings	8.118
3	Accumulated other comprehensive income (and other reserves)	0.786
4	Directly issued capital subject to phase out from CET1 (only applicable to mutually-owned companies)	-
5	Ordinary share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-
6	Common Equity Tier 1 capital before regulatory adjustments	115.174
	COMMON EQUITY TIER 1 CAPITAL: REGULATORY ADJUSTMENTS	A$m
7	Prudential valuation adjustments	-
8	Goodwill (net of related tax liability)	19.172
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	55.695
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-
11	Cash-flow hedge reserve	-
12	Shortfall of provisions to expected losses	-
13	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	-
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-
15	Defined benefit superannuation fund net assets	-
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-
17	Reciprocal cross-holdings in common equity	-
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	0.142
19	Significant investments in the ordinary shares of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-
20	Mortgage service rights (amount above 10% threshold)	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
22	Amount exceeding the 15% threshold	-
23	of which: significant investments in the ordinary shares of financial entities	-
24	of which: mortgage servicing rights	-
25	of which: deferred tax assets arising from temporary differences	-

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26	National specific regulatory adjustments (sum of rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i and 26j)	8.887
26a	of which: treasury shares	-
26b	of which: offset to dividends declared under a dividend reinvestment plan (DRP), to the extent that the dividends are used to purchase new ordinary shares issued by the ADI	-
26c	of which: deferred fee income	0.911
26d	of which: equity investments in financial institutions not reported in rows 18, 19 and 23	-
26e	of which: deferred tax assets not reported in rows 10, 21 and 25	5.222
26f	of which: capitalised expenses	2.754
26g	of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements	-
26h	of which: covered bonds in excess of asset cover in pools	-
26i	of which: undercapitalisation of a non-consolidated subsidiary	-
26j	of which: other national specific regulatory adjustments not reported in rows 26a to 26i	-
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-
28	Total regulatory adjustments to Common Equity Tier 1	83.896
29	Common Equity Tier 1 Capital (CET1)	31.279
ADDITIONAL TIER 1 CAPITAL: INSTRUMENTS		A$m
30	Directly issued qualifying Additional Tier 1 instruments	-
31	of which: classified as equity under applicable accounting standards	-
32	of which: classified as liabilities under applicable accounting standards	-
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-
35	of which: instruments issued by subsidiaries subject to phase out	-
36	Additional Tier 1 Capital before regulatory adjustments	-

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ADDITIONAL TIER 1 CAPITAL: REGULATORY ADJUSTMENTS		A$m
37	Investments in own Additional Tier 1 instruments	-
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	-
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
41	National specific regulatory adjustments (sum of rows 41a, 41b and 41c)	-
41a	of which: holdings of capital instruments in group members by other group members on behalf of third parties	-
41b	of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidations not reported in rows 39 and 40	-
41c	of which: other national specific regulatory adjustments not reported in rows 41a and 41b	-
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-
43	Total regulatory adjustments to Additional Tier 1 capital	-
44	Additional Tier 1 capital (AT1)	-
45	Tier 1 Capital (T1)	31.279
ADDITIONAL TIER 1 CAPITAL: REGULATORY ADJUSTMENTS		A$m
TIER 2 CAPITAL INSTRUMENTS AND PROVISIONS		
46	Directly issued qualifying Tier 2 instruments	-
47	Directly issued capital instruments subject to phase out from Tier 2	-
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group T2)	-
49	of which: instruments issued by subsidiaries subject to phase out	-
50	Provisions	0.446
51	Tier 2 Capital before regulatory adjustments	0.446
TIER 2 CAPITAL: REGULATORY ADJUSTMENTS		A$m
52	Investments in own Tier 2 instruments	-
53	Reciprocal cross-holdings in Tier 2 instruments	-
54	Investments in the Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	-
55	Significant investments in the Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions	-

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	TIER 2 CAPITAL: REGULATORY ADJUSTMENTS CONTINUED	A$m
56	National specific regulatory adjustments (sum of rows 56a, 56b and 56c)	-
56a	of which: holdings of capital instruments in group members by other group members on behalf of third parties	-
56b	of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidation not reported in rows 54 and 55	-
56c	of which: other national specific regulatory adjustments not reported in rows 56a and 56b	-
57	Total regulatory adjustments to Tier 2 capital	-
58	Tier 2 Capital (T2)	0.446
59	Total Capital (T1 + T2)	31.274
60	Total risk-weighted assets based on APRA standards	149.519
	CAPITAL RATIOS AND BUFFERS	%
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	20.92
62	Tier 1 (as a percentage of risk-weighted assets)	20.92
63	Total capital (as a percentage of risk-weighted assets)	21.22
64	Buffer requirement (minimum CET1 requirement of 4.5% plus capital conservation buffer of 2.5% plus any countercyclical buffer requirements expressed as a percentage of risk-weighted assets)	7.0
65	of which: capital conservation buffer requirement	2.5
66	of which: ADI-specific countercyclical buffer requirements	-
67	of which: G-SIB buffer requirement (not applicable)	-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)	13.22
	NATIONAL MINIMA (IF DIFFERENT FROM BASEL III)	
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	-
70	National Tier 1 minimum ratio (if different from Basel III minimum)	-
71	National total capital minimum ratio (if different from Basel III minimum)	-
	AMOUNT BELOW THRESHOLDS FOR DEDUCTIONS (NOT RISK-WEIGHTED)	
72	Non-significant investments in the capital of other financial entities	-
73	Significant investments in the ordinary shares of financial entities	-
74	Mortgage servicing rights (net of related tax liability)	-
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-

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APPLICABLE CAPS ON THE INCLUSION OF PROVISIONS IN TIER 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	-
77	Cap on inclusion of provisions in Tier 2 under standardised approach	-
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-
CAPITAL INSTRUMENTS SUBJECT TO PHASE-OUT ARRANGEMENTS (ONLY APPLICABLE BETWEEN 1 JAN 2018 AND 1 JAN 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities	-
82	Current cap on AT1 instruments subject to phase out arrangements	-
83	Amount excluded from AT1 instruments due to cap (excess over cap after redemptions and maturities)	-
84	Current cap on T2 instruments subject to phase 7out arrangements	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-

Disclosure template used above is the post 1 January 2018 common disclosure template under Basel III.

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APS 330 Regulatory Capital Reconciliation

As at 30 June 2020, in accordance with APRA Prudential Standard APS 330. BNK Banking Corporation Limited is an Authorised Deposit Taking Institution. Comparison of consolidated accounting and regulatory balance sheet as at 30 June 2020:

ASSETS	BALANCE SHEET AS IN PUBLISHED FINANCIAL STATEMENTS	UNDER REGULATORY SCOPE OF CONSOLIDATION	REFERENCE
ASSETS	AS AT PERIOD END	AS AT PERIOD END	
Cash and cash equivalents	18.122	18.122	-
Due from other financial institutions	33.335	33.335	-
Loans and advances	283.561	283.561	-
of which: deferred fee income	-	0.911	f
Other financial assets	38.231	38.231	-
of which: equity investments in financial institutions	-	0.142	g
Other assets	412.620	412.620	-
of which: deferred fee income	-	-	f
Property, plant and equipment	3.808	3.808	-
Intangible assets	49.610	49.610	e
Deferred tax assets	-	-	h
TOTAL ASSETS	839.287	839.287	

LIABILITIES	AS AT PERIOD END	AS AT PERIOD END	
Deposits	345.791	306.830	-
Creditors and other payables	365.636	365.636	-
Provisions	1.308	1.308	-
Deferred tax liabilities	13.686	13.686	i
TOTAL LIABILITIES	726.421	726.421	
NET ASSETS	112.866	112.866	
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS			
Contributed equity			
Issued capital	106.270	106.270	a
Other contributed equity	(0.103)	(0.103)	b
Equity raising costs	(2.754)	(2.754)	k
TOTAL CONTRIBUTED EQUITY	103.413	103.413	

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Property, plant and equipment revaluation reserve	-	-	d
Financial assets revaluation reserve	(0.140)	(0.140)	d
Share based payments reserve	1.029	1.029	d
General reserve for credit losses	0.446	0.446	l
Retained earnings	8.118	8.118	c
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS	112.866	112.866	

Reconciliation of Regulatory Capital

COMMON EQUITY TIER 1 CAPITAL: INSTRUMENTS AND RESERVES	A$M	SOURCE BASED ON REFERENCE NUMBERS/ LETTERS OF THE REGULATORY SCOPE BALANCE SHEET FROM STEP 1 ABOVE
Directly issued qualifying ordinary shares (and equivalent for mutually owned entities) capital	106.270	a+b
Retained earnings	8.118	c
Accumulated other comprehensive income (& other reserves)	0.786	d
COMMON EQUITY TIER 1 CAPITAL BEFORE REGULATORY ADJUSTMENTS	115.174	
COMMON EQUITY TIER 1 CAPITAL: REGULATORY ADJUSTMENTS		
Other intangibles other than mortgage servicing rights (net of related tax liability)	74.867	e
National specific regulatory adjustments (sum of a to d below)	9.029	
(a) of which: deferred fee income	0.911	f
(b) of which: equity investments in financial institutions	0.142	g
(c) of which: deferred tax assets	5.222	h-i
(d) of which: capitalised expenses	2.754	k
TOTAL REGULATORY ADJUSTMENTS TO COMMON EQUITY TIER 1	83.896	
COMMON EQUITY TIER 1 CAPITAL (CET1)	31.278	
TIER 1 CAPITAL (T1)	31.278	

TIER 2 CAPITAL INSTRUMENTS AND PROVISIONS		
Provisions	0.446	l
TIER 2 CAPITAL (T2)	0.446	
TOTAL CAPITAL (T1 + T2)	31.724	

Intangible assets are deducted from regulatory capital, net of any associated deferred tax liability, however deferred tax assets are deducted.

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APS 330 Attachment B Features of capital instruments

MAIN FEATURES OF REGULATORY CAPITAL INSTRUMENTS	
1.	Issuer: BNK Banking Corporation Limited
2.	ASX Code: BBC
3.	Governing law(s) of the Instrument: Corporations Act 2001 Regulatory treatment
Regulatory treatment	
4.	Transitional Basel III rules: Common Equity Tier 1
5.	Post-transitional Basel III rules : Common Equity Tier 1
6.	Eligible at solo/group/group & solo: Solo
7.	Instrument type: Ordinary share
8.	Amount recognised in Regulatory Capital: A$106.270m
9.	Par value of instrument: No par value
10.	Accounting classification: Shareholder's equity
11.	Original date of issuance: 14 May 2012
12.	Perpetual or dated: Perpetual
13.	Original maturity date: No maturity
14.	Issuer call subject to prior supervisory approval: No
15.	Optional call date, contingent call dates and redemption amount: Not applicable
16.	Subsequent call dates, if applicable: Not applicable
Coupons/dividends	
17.	Fixed or floating dividend/coupon: Floating
18.	Coupon rate and any related index: Not applicable
19.	Existence of a dividend stopper: No
20.	Fully discretionary, partially discretionary or mandatory: Fully discretionary
21.	Existence of step up or other incentive to redeem: No
22.	Non-cumulative or cumulative: Non-cumulative
23.	Convertible or non-convertible
24.	If convertible, conversion trigger(s): Not applicable
25.	If convertible, fully or partially: Not applicable
26.	If convertible, conversion rate: Not applicable
27.	If convertible, mandatory or optional conversion: Not applicable
28.	If convertible, specify instrument type convertible into: Not applicable
29.	If convertible, specify issuer of instrument it converts into: Not applicable
30.	Write-down feature: No
31.	If write-down, write-down trigger(s) : Not applicable
32.	If write-down, full or partial: Not applicable
33.	If write-down, permanent or temporary: Not applicable
34.	If temporary write-down, description of write-up mechanism: Not applicable
35.	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument): Subordinate to all other eligible claims
36.	Non-compliant transitioned features: Not applicable
37.	If yes, specify non-compliant features: Not applicable

APS 330 Exposures & Assessment

As at 30 June 2020, in accordance with APRA Prudential Standard APS 330.

	30 JUNE 2020	31 MARCH 2020
CAPITAL ADEQUACY	RISK-WEIGHTED ASSETS	RISK-WEIGHTED ASSETS
Capital requirements for credit risk		
Claims secured by residential mortgage	99,401,874	100,590,054
Commitments and guarantees	245,467	319,236
Claims on other ADI's	12,831,198	10,012,691
Other	19,271,115	21,399,879
Capital requirements for operational risk	17,769,553	16,437,714
	PERCENTAGE OF RISK WEIGHTED ASSETS	PERCENTAGE OF RISK WEIGHTED ASSETS
Common Equity Tier 1 ratio	20.92	21.73
Tier 1 ratio	20.92	21.73
Total Capital ratio	21.22	22.03

CREDIT RISK	GROSS CREDIT RISK	QUARTERLY AVG. GROSS CREDIT RISK	AMOUNT IMPAIRED	AMOUNT PAST 90 DAYS DUE	SPECIFIC PROVISION	AMOUNT WRITTEN OFF	GENERAL RESERVE FOR CREDIT LOSSES
30 JUNE 2020							
Loans and advances							445,500
Secured against eligible mortgages	268,504,064	268,229,675	-	1,128,000	-	-	-
Other loans & advances	15,094,094	16,452,752	-	-	-	-	-
Commitments & guarantees	701,333	806,719	-	-	-	-	-
Claims against other ADIs	56,645,142	53,354,297	-	-	-	-	-
Other assets	4,177,021	3,882,745	-	-	-	-	-
31 MARCH 2020							
Loans and advances							342,000
Secured against eligible mortgages	267,955,285	257,272,581	226,000	1,816,095	-	-	-
Other loans & advances	17,811,409	18,057,523	19,943	-	-	-	-
Commitments & guarantees	912,104	5,094,086	-	-	-	-	-
Claims against other ADIs	50,063,453	41,272,752	-	-	-	-	-
Other assets	3,588,470	5,235,785	-	-	-	-	-

SECURITISATION EXPOSURES	30 JUNE 2020 ($)	31 MARCH 2020 ($)
Off balance sheet		
Housing loans	46,807,171	48,816,610

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APS 330 Attachment G Remuneration disclosures

<table>
<tr><th colspan="2">QUALITATIVE DISCLOSURES</th></tr>
<tr><td>a.</td><td>
The board of directors is responsible for determining and reviewing compensation arrangements for the executive team, this includes senior managers and material risk takers as described below. The remuneration committee was established to assist the Board in meeting its responsibilities.
The remuneration committee comprises three Non-Executive Directors (NEDs) all of who are independent. The remuneration committee meets at least twice a year and is required to make recommendations to the board matters related to the remuneration arrangements for NEDs and executives. The Chief Executive Officer (CEO) attends certain remuneration committee meetings by invitation, where management input is required. The CEO is not present during any discussions related to his own remuneration arrangements.
The board approves the remuneration arrangements of the CEO and other executives 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.
To ensure the remuneration committee is fully informed when making remuneration decisions, the remuneration committee may seek external remuneration advice. During the year the Company did not seek advice in relation to remuneration.
The remuneration policy applies to ‘responsible persons’ as defined in Prudential Standard CPS 520 Fit & Proper, with the exception of the auditor. The auditor’s remuneration is overseen by the Audit Committee. Responsible persons are taken to include Senior Managers and Material Risk Takers. For BNK, this includes the follow executives:
Managing Director
Group Chief Financial Officer
Chief Risk Officer
Further information on the remuneration committee’s role, responsibilities and membership can be seen at: https://bnk.com.au/investor-centre/corporate-governance/
</td></tr>
<tr><td>b.</td><td>
For executives, BNK’s remuneration strategy aims to attract and retain executives who will create shareholder value and fairly and responsibly reward them for performance. The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and aligned with market practice of entities of a similar size and complexity.
Remuneration levels are considered annually through a remuneration review that considers market data, insights into remuneration trends, the performance of the company and individual, and the broader economic environment.
There were no significant changes made to the remuneration policy during the year.
The remuneration of risk and control personnel is reviewed and approved by the remuneration committee and determined independently of the functions they oversee.
</td></tr>
<tr><td>c.</td><td>
The remuneration committee considers credit, market, liquidity, operational, capital and strategic risk when implementing remuneration measures for executives.
Short and long term incentives are dependent on achieving certain measures.
These measures have been determined by the remuneration committee and approved by the Board having considered:
the outcomes of the Company’s business activities;
the risks related to the Company’s business activities taking into account, where relevant, the cost of the associated capital; and
the time necessary for the outcomes of those business activities to be reliably measured.
There have not been any significant changes to the nature and type of performance measures over the past year. These performance measures were chosen as they represent the key drivers for the achievement of the business objectives and overall success of the business and provide a framework for delivering sustainable value.
BNK is unique in that it has no peers with a similar size and complexity. These KPI’s are aligned with key outcomes targeted as part of BNK’s strategic plans. The Board is confident achieving these outcomes will lead to generation of sustainable returns for shareholders in the long term.
Non-Executive Directors do not receive any variable or performance based remuneration nor do they participate in any incentive programs.
</td></tr>
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APS 330 Attachment G Remuneration disclosures

	QUALITATIVE DISCLOSURES		
d.	Executive remuneration packages may comprise annual base salary, short and long term incentives and other benefits. The key performance outcomes applicable to executives performance based incentives are described in (c) above. These performance measures apply at a companywide level, which is seen as appropriate given the size and nature of operations, with the exception of lending targets. Lending targets are applicable for the individuals region. The Board is permitted to adjust performance-based components of remuneration downwards, to zero if appropriate, in relation to persons or classes of persons, if such adjustments are necessary to: • protect the financial soundness of the Company; or • respond to significant unexpected or unintended consequences that were not foreseen by the Committee.		
e.	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 Company's performance against the relevant long-term performance measure. During the year, executives were awarded performance rights in accordance with the BNK Equity Incentive Plan as approved by shareholders at the 2019 Annual General Meeting. These performance rights entitle executives to receive ordinary shares in the company based on the achievement of certain market and non-market conditions.		
5.	The Managing Director and other executives are eligible for an annual performance based cash incentive of up to 60% of the base salary (excluding superannuation). In determining the extent of any performance based incentive the Board will assess achievement of clearly defined key performance indicators. On an annual basis, after consideration of performance against KPIs and Company results, the board, in line with their responsibilities, determines the amount, if any, of the short-term incentive to be paid to each executive, seeking recommendations from the CEO as appropriate.		
	QUANTITATIVE DISCLOSURES		
g.	The remuneration committee met five times during the year and the Board of Directors met twenty one times. Members of the remuneration committee do not receive separate remuneration for their involvement in the remuneration committee. They receive remuneration for their appointment to the Board of Directors and they are expected to participate as members of various committees as determined by the Board of Directors. The amount aggregate fee pool of $650,000 per year was approved by shareholders at the 2018 Annual General Meeting. During the year the total remuneration paid to NEDs was $363,777 which includes 9.50% superannuation contribution.		
h.	Three executives received a variable remuneration award during the year. Three bonuses were awarded during the financial year. No sign on awards were awarded during the financial year. One termination payment was awarded during the financial year.		
i.	Not Applicable		
j.	**Total value of remuneration awards for the current financial year**	**Unrestricted**	**Deferred**
	Fixed remuneration		
	Cash-based	2,700,095	-
	Shares and share linked instruments	-	-
	Other	103,647	-
	Variable remuneration		
	Cash-based	-	-
	Shares and share linked instruments	-	199,934
	Other	-	-
k.	Not applicable		