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INVESTOR PRESENTATION

H1 FY24 Financial Results

28 February 2024

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Agenda

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H1 FY24 Results Overview

Allan Savins
Chief Executive Officer

H1 FY24 Results Overview

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$(1.8)m
Group Statutory NPAT
Up $0.87m on 1H'23

$1.5bn
Total Deposit Book
Up 30.9% on 1H'23

$(1.2)m
Cash NPAT
Up $0.2m on 1H'23

$1.5bn
Total Loan Book
Up 26.8% on 1H'23

$8.6m
Net Interest Income
Down $(0.1)m on 1H'23

1.01%
Direct Net Interest Margin (NIM)
Down (0.32)% on 1H'23

$9.9m
Operating Expenses
Down $1.5m on 1H'23

$126.1m
Group Net Assets
Down $(3.1)m on 1H'23

*Normalised for tax

Financial highlights

- Cash NPAT position improved by $0.2m on 1H23
- NII of $8.6m, marginal decrease of 1.1% pcp
- Focus on cost discipline resulted in a $1.5m (13%) decrease in operating expenses on 1H23
- Competition for Loans and Deposits has reduced Direct NIM to 1.01%, down 32bps to pcp
- Record high balance sheet loan book of $1.5bn, an increase of 26.8% pcp
- Record high total deposits of $1.5bn, an increase of 30.9% pcp
- Higher margin lending grew to $175m, an increase of 400% pcp
- Deposit to Direct Loan Ratio of 127%
- Strong Capital Adequacy Ratio of 19.9%, above prudential and Board limits

Strategic highlights

- Completed Phase 1 of technology transformation to drive efficiencies and simplify processes in higher-margin commercial business

BNK Loan Book, Deposits & Net Interest Income

Record highs achieved across lending and deposits

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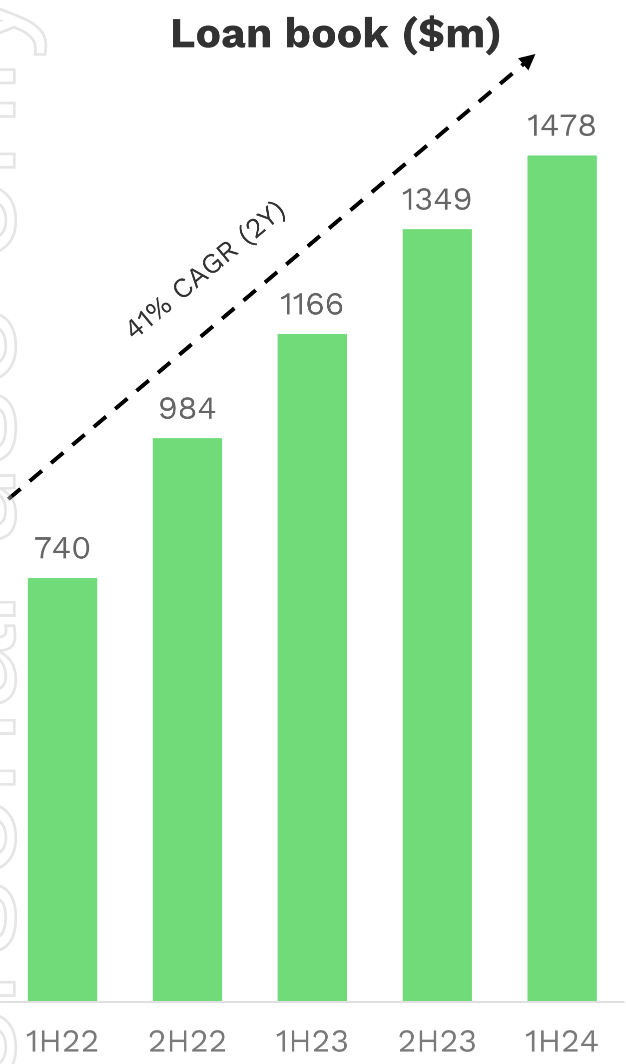

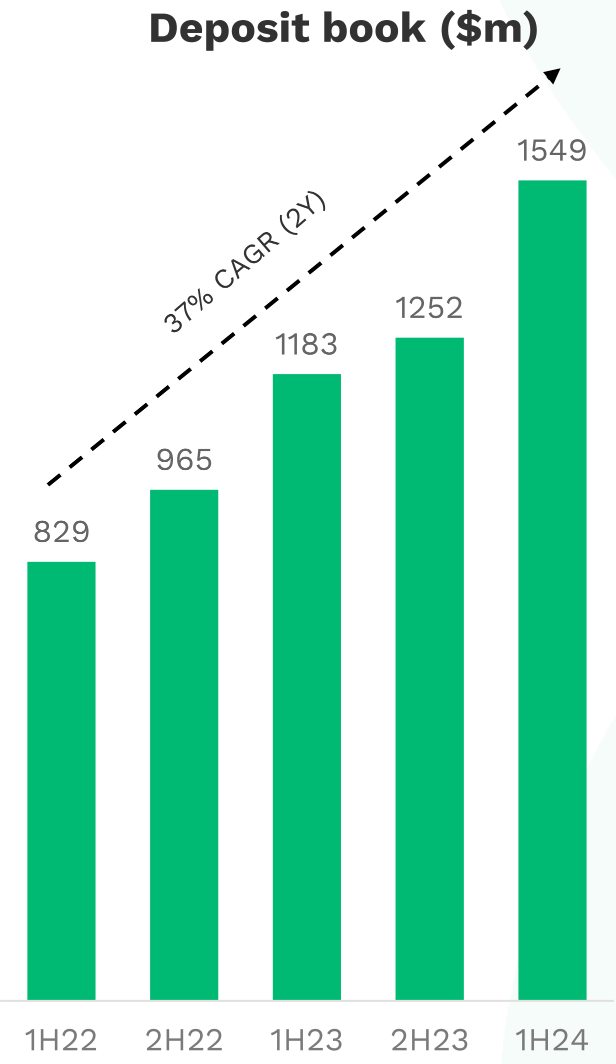

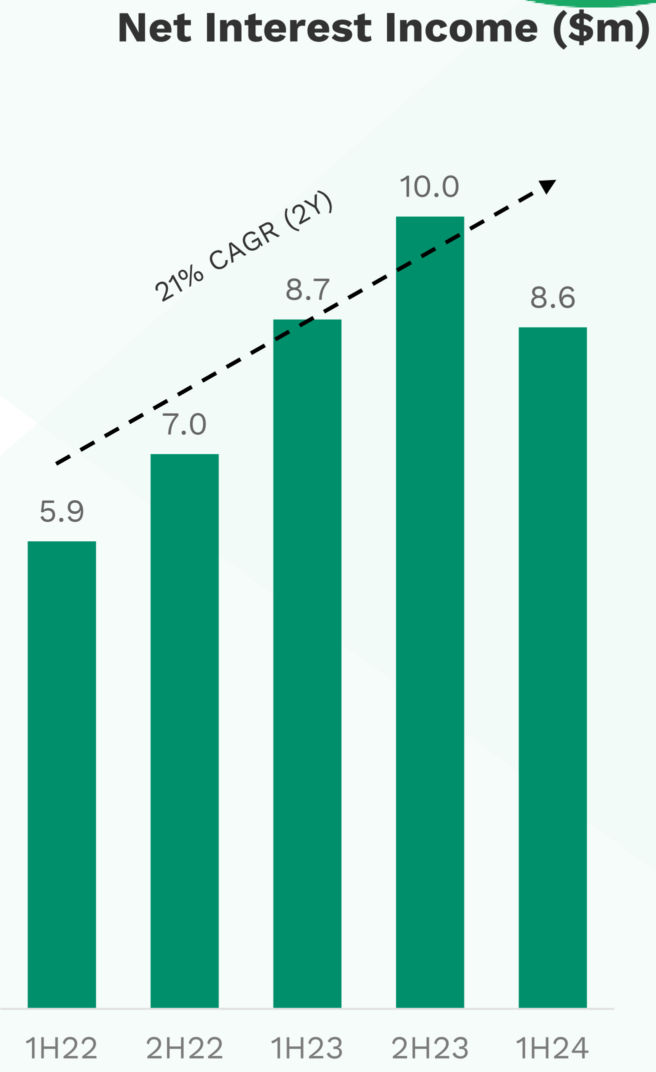

Managed growth and diversification in BNK-funded lending portfolio

Stable risk profile despite steady increase in higher margin loans

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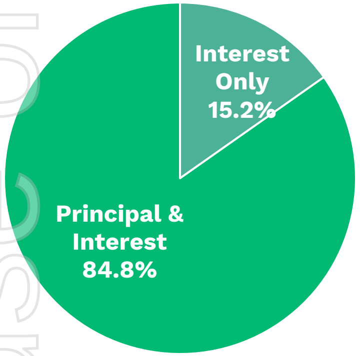
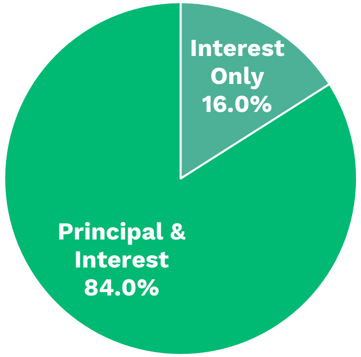
Portfolio by Payment Type

HY23



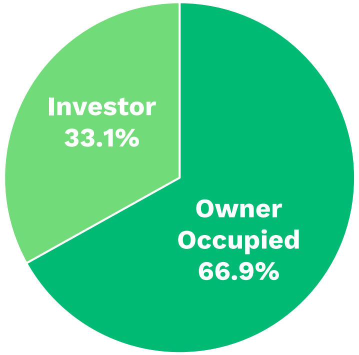
HY24



Stable position with borrower equity continuing to accumulate

Portfolio By Loan Type

HY23



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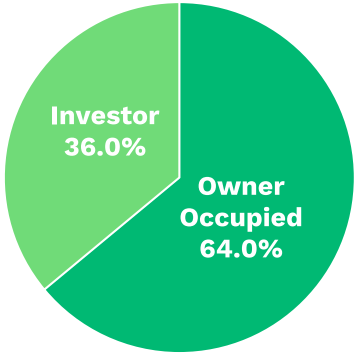
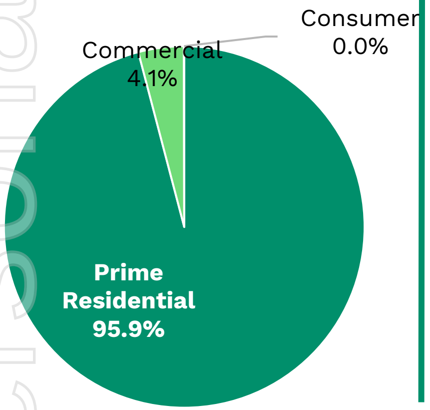


Modest increase in investor lending supports margin expansion.

Portfolio Mix By Loan Category

HY23



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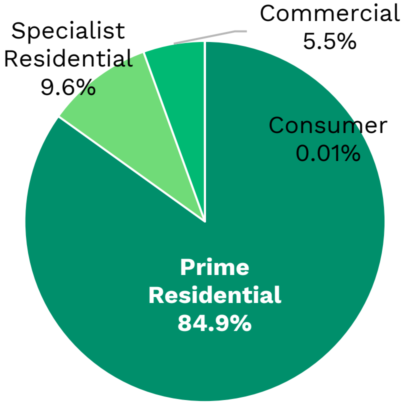
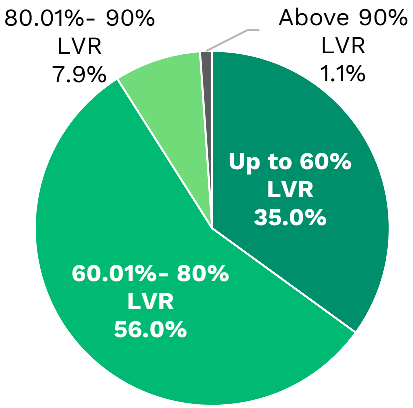


Higher margin assets now comprise 15% of the portfolio

Portfolio Mix By LVR

HY23



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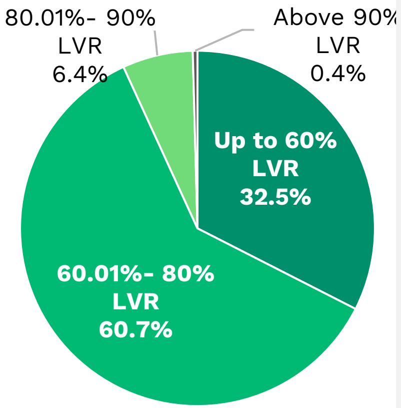

Maintained strong LVR mix at settlement despite expansion into higher margin loans.

Strong Cornerstone Portfolio

Delivered growth while maintaining strength in underlying loan portfolio

Loan quality control maintained

- Retained interest rate servicing buffer of 3.0% for Prime and Commercial loans in FY24.

Loan size increased

- Average loan size increased from $357k to $386k from 1HY23 to 1HY24, while maintaining a strong LVR mix.

High quality customers

- Increase in offset account balances from $99m in 1HY23 to $107.8m in HY24.
- Approx. half of all loan accounts (49.9%) are ahead in their payments.
- Mortgagee-in-possession rates remained at zero
- No credit write-offs recorded for HY24.

H1 FY24 Financial Results

Stephen Kinsella
Chief Financial Officer

NPAT Performance

Improvements in operating performance, Statutory NPAT and Cash NPAT

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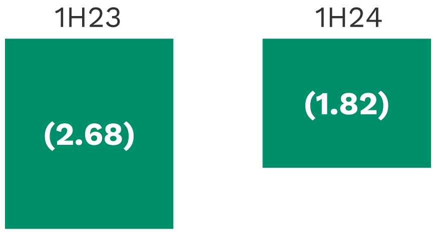
	1H24	1H24 vs 1H23
Operating income	8.07	(5.8)%
Operating expenses	10.31	(12.5)%
Operating performance	(2.24)	30.4%
Provision for credit loss	0.35	(29.2)%
Statutory NPAT	(1.82)	32.4%
Cash NPAT	(1.18)	12.5%

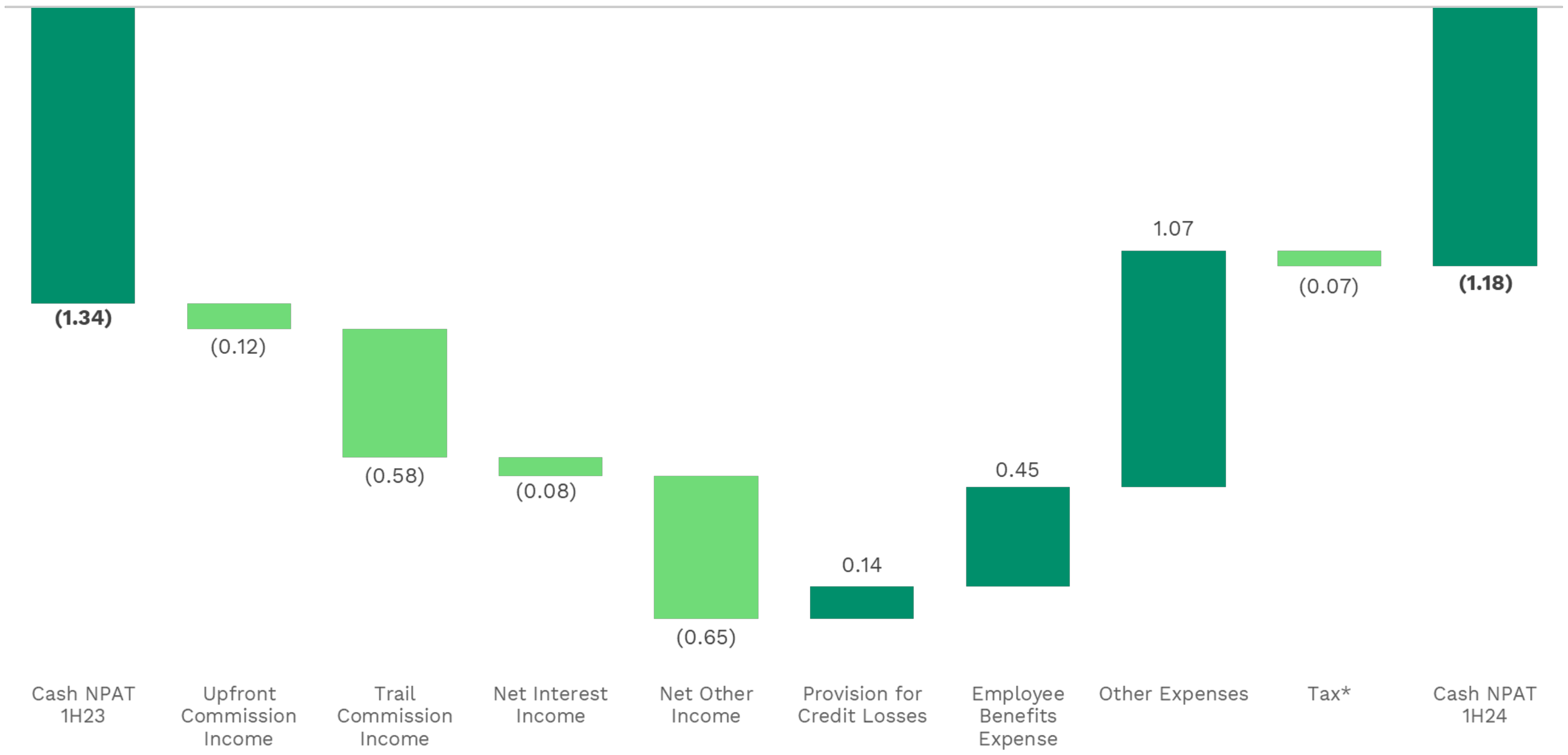
Performance

Steady improvement in Statutory and Cash NPAT

Statutory NPAT ($m)



Cash NPAT bridge* ($m)



* Cash NPAT presented is tax normalised assuming effective tax rate c. 30%

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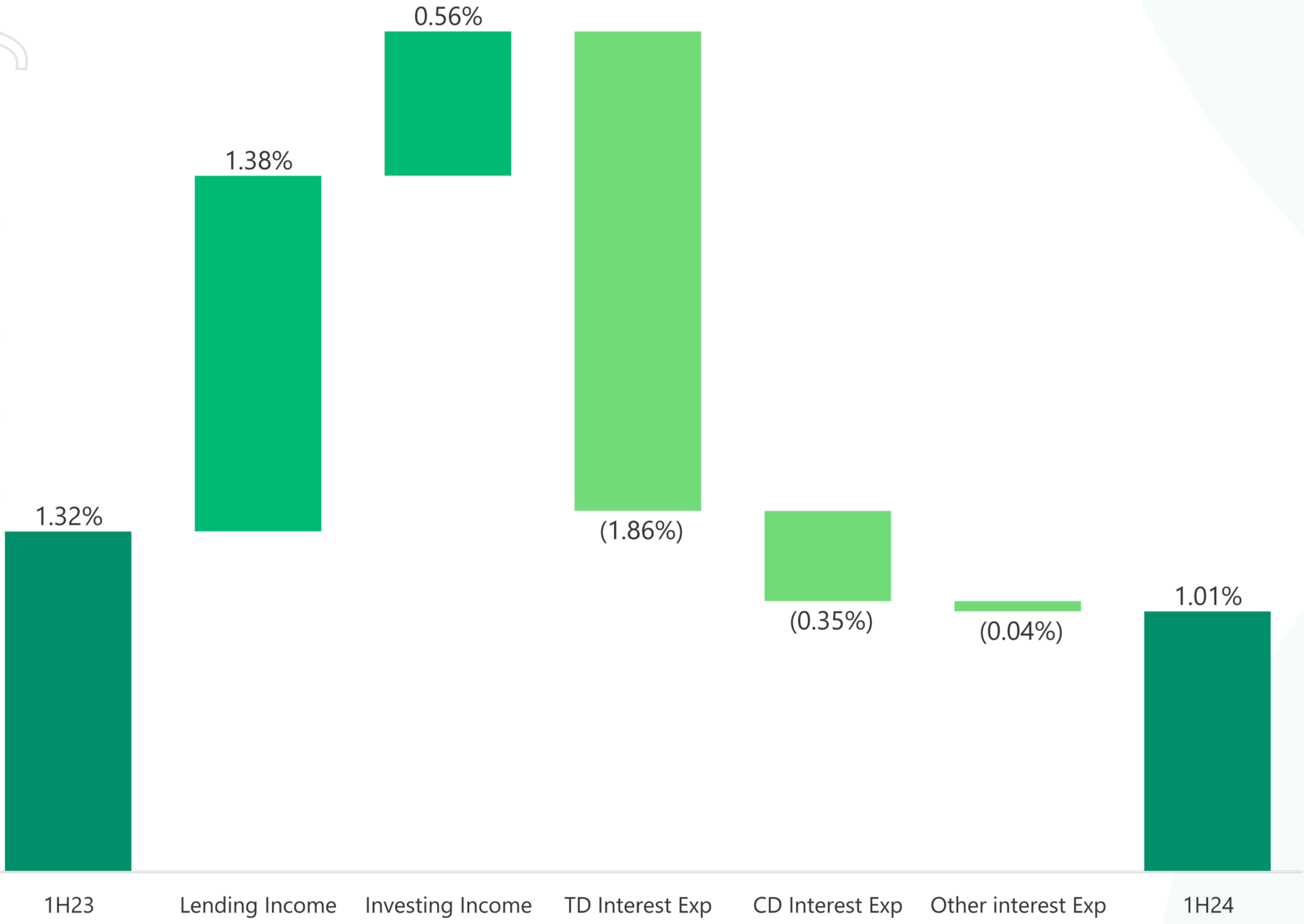
Direct Net Interest Margin

Ongoing margin pressure, reflective of wider industry challenges



- Decline in NIM due to industry headwinds and challenging interest rate environment with strong competition across both loans and deposits.
- Opportunities to improve NIM:
  - Fixed rate maturities and re-pricing.
  - Continued expansion into higher margin SME market.
  - Heightened focus on deposit pricing and management of investment returns on liquid assets.

Competition for Deposits

Customers switching to high yielding Term Deposits

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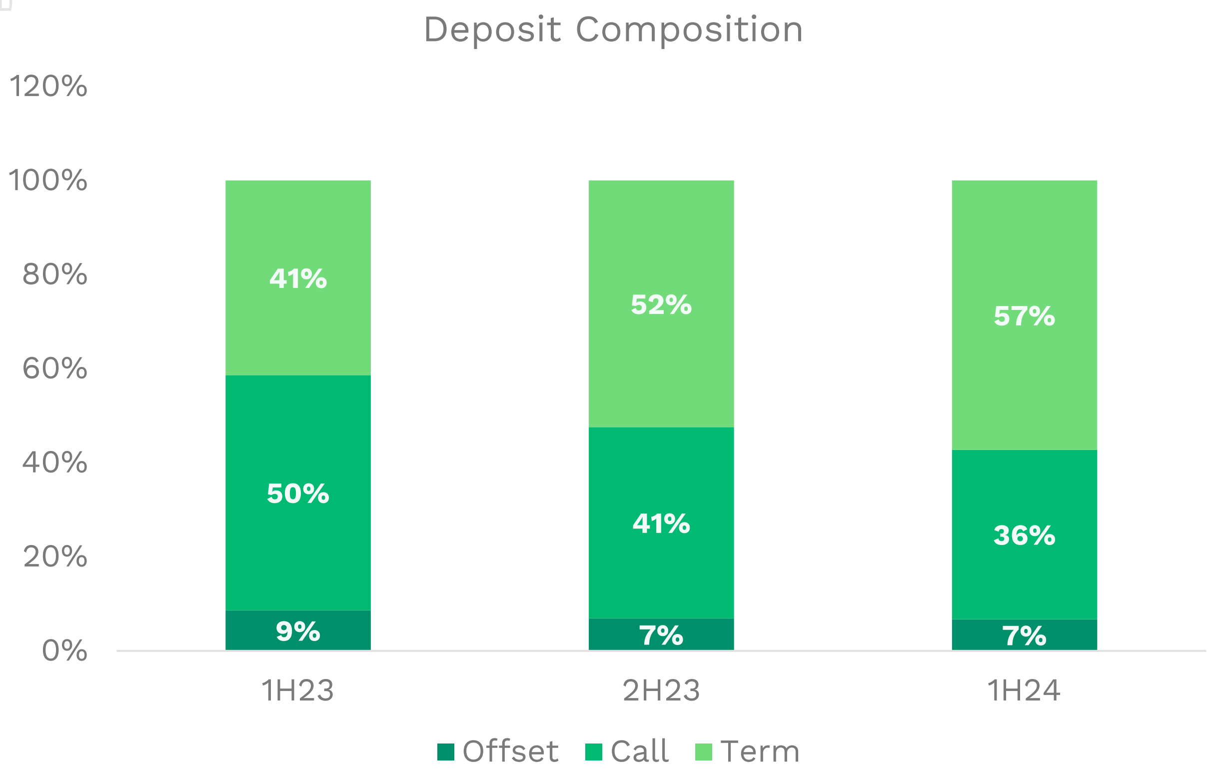

- Funding stability and attractive rates for Term Deposits has led to unfavourable deposit mix outcomes and resulted in NIM compression.
- Current market Term Deposit yields are below recent highs but still represent elevated costs with prevailing competition.

Fixed Rate Home Loans

Fixed Rate maturities will provide potential for margin uplift

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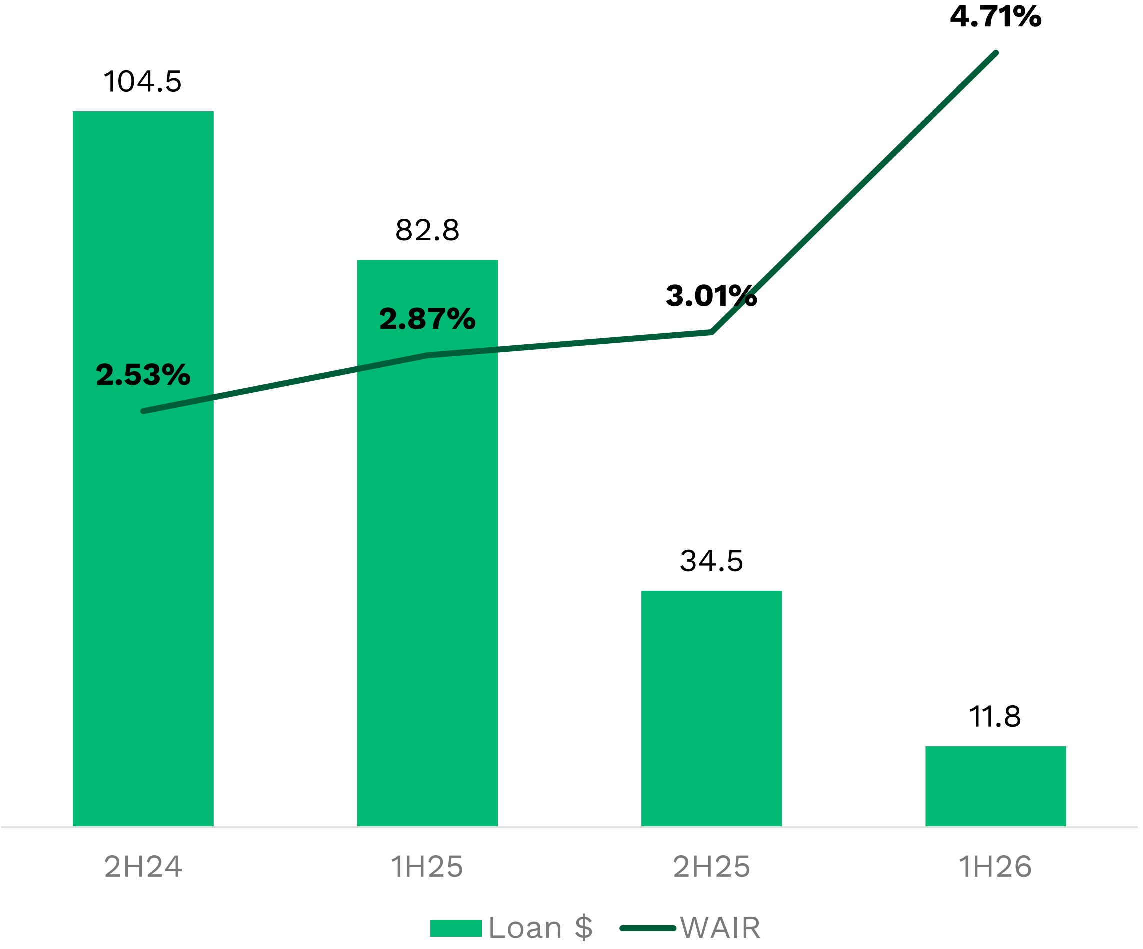

- Approximately 80% of the remaining Fixed Rate HL book due to rollover during the next 12 months.
- Current pricing and active retention should provide upside to NIM given the Weighted Average Interest Rate (WAIR) on the portfolio.

Credit Quality & Loss Protection

Portfolio remains resilient despite increase in arrears

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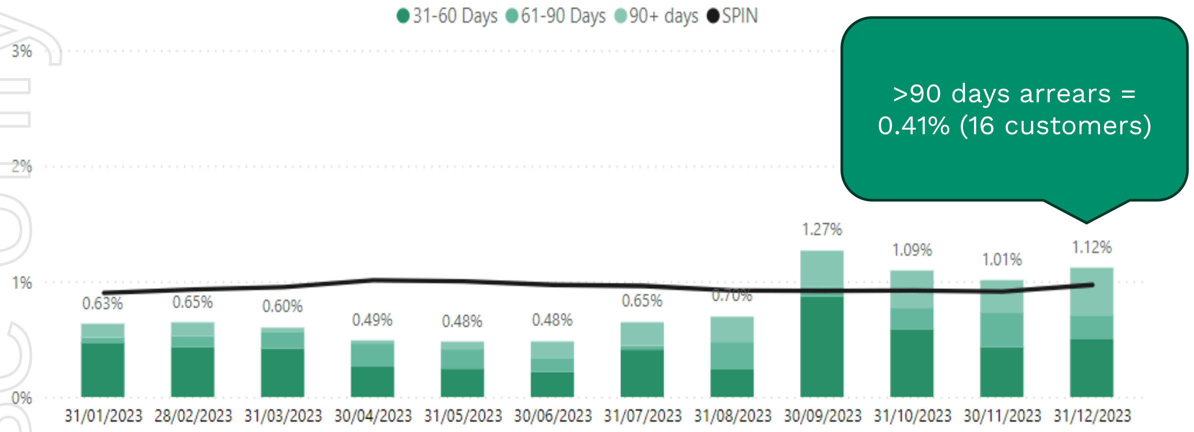
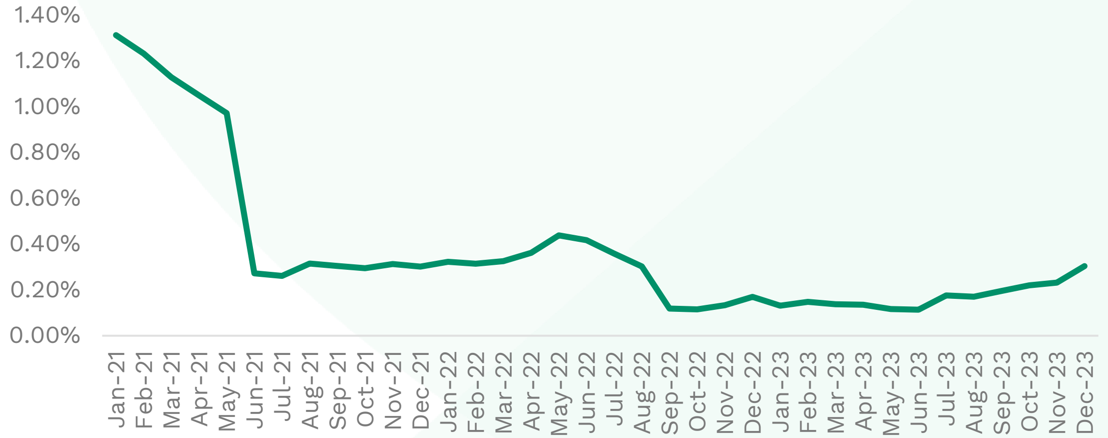
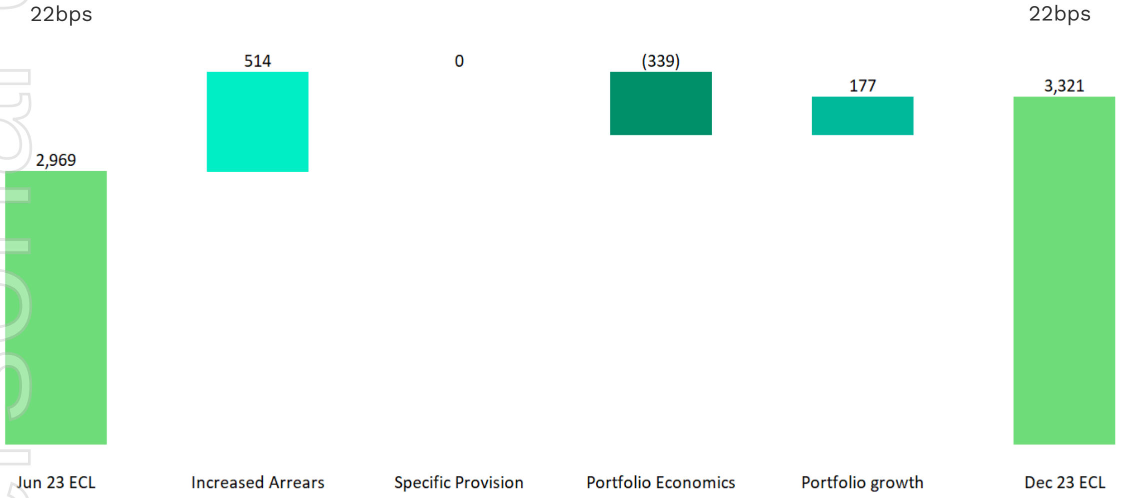
Prime Portfolio Delinquency Rate vs Prime SPIN



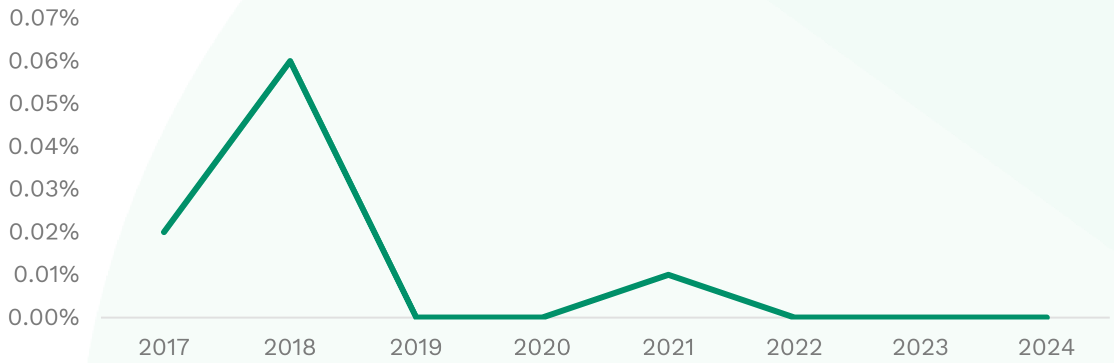
Portfolio Hardship Rate (% ofcustomers)



ECL Changes Jun-23 to Dec-23 ($ 000's)



Write-offs (% of loan book)



Strategy Update and Outlook

Allan Savins
Chief Executive Officer

Strategic focus for H2 FY24

Increased focus on managing costs to improve profitability

FY24 STRATEGY UPDATE

GROWTH	MARGIN	PROFITABILITY
TARGET: Selectively increase BNK's balance sheet loan book to over $3bn over the medium term	**TARGET:** Increase BNK's Net Interest Margin to 2% over the medium term	**TARGET:** Focus on achieving steady, sustainable growth with a Cost to Income ratio of <60% over the medium term
• Maintain strong residential portfolio as the foundation for growth. • Continue to focus on higher margin loan writers. • Continue our technology stack transformation to enhance capability, open new markets to support growth, and drive efficiencies for customers and staff alike. • Execute digital marketing initiatives to reach the wider business market and build brand credibility. • Support the continued maturity of the Goldman Sachs warehouse.	• Reaffirm our goal of achieving 20% of total annual settlements in higher margin assets in FY24. • Retention and repricing of fixed rate loan maturities over the next 12 months. • Continue to 'test and learn' to diversify distribution entry points to expand into the competitive lending and deposit space. • Sustainably grow our suite of products. All new products must achieve the baseline internal Return on Capital hurdle.	• Continued focus on cost discipline with positive JAWS as the driver of sustainable profitability. • A greater concentration of higher-margin assets reduces the necessity for a larger loan book to attain optimal profitability. • Continue to strategically pursue opportunities for new deposit and asset classes, inorganic growth, and distribution partnerships.

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Summary & Outlook

Becoming a market leading SME bank

- ✓ Remain confident of achieving 20% of total annual settlements in higher margin assets target in FY24.
- ✓ Continued focus on cost management for positive JAWS outcome. Cost reduction program expected to generate approx. $1.6m in annual savings to assist in ongoing earnings improvement.
- ✓ The first stage of the technology transformation has been successfully concluded. Phase 2 focuses on transforming technology for the larger residential portfolio.
- ✓ Persist in actively pursuing relationships with commercial and specialist residential brokers to further enhance our distribution base.
- ✓ Implement digital marketing strategies to target the broader business market and establish brand credibility.
- ✓ Continue to seek and execute on opportunities for new deposit classes, new asset classes, and inorganic growth.

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Appendix

Group Financial Key Outcomes

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	1H24	1H23
Statutory NPAT ($m)	(1.82)	(2.68)
Cash NPAT ($m)	(1.18)	(1.34)
Group EPS (cents)	(1.53)	(2.26)
Group Net Income ($m)	7.62	8.17
Operating Expenses ($m)	9.87	11.39
Direct Net Interest Margin	101bps	132bps
Group Net Interest Margin	92bps	114bps
Capital Adequacy Ratio	19.9%	25.6%
Cost to Income Ratio	129%	141%
MLH (Spot)	27.1%	31.6%
Expected Credit Loss (ECL)	22 bps	22 bps