

INVESTOR PRESENTATION

FY24 Financial Results

29 August 2024

Agenda



FY24 Results Overview

Allan Savins
Chief Executive Officer



FY24 Financial Results

Steve Kinsella
Group CFO



Strategy update and outlook

Allan Savins
Chief Executive Officer



ASX:BBC



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FY24 Results Overview

Allan Savins

Chief Executive Officer

“BNK has made solid strategic progress in the 2024 financial year, despite facing intense competition and inflationary pressures. Our purpose-driven strategy to focus on higher-margin and capital efficient assets, coupled with disciplined cost control is gaining traction. We have demonstrated that our emphasis on higher margin assets reduces the need to solely pursue loan book expansion to attain sustainable profitability.”



Allan Savins
Chief Executive Officer

FY24 Results Overview

Financial results show improved trajectory

↓ **\$(6.7)m** Statutory NPAT down
\$2.8m on FY23

↑ **\$(0.9)m** Underlying NPAT*
up \$0.6m on FY23

↑ **\$0.3m** 2H24 Underlying NPAT
up \$1.5m on 1H24

\$19.3m
Net Interest Income
up 3% on FY23

\$21.6m
Operating Expenses
down \$1.5m on FY23

1.06%
FY24 NIM down
9bps on FY23

1.20%
2H24 NIM up
28bps on 1H24

\$1,725m
Group Assets
up 3% on FY23

\$302.4m
Liquid Assets
up 9% on FY23

*Normalised for tax

FY24 Results Overview

Strategic highlights show growth momentum

- The strategic expansion into higher margin lending business to achieve sustainable profitability is starting to bear fruit.
- Company trajectory is shifting: Underlying NPAT has improved by a further 40% YoY, while NII increased 3% on FY23.
- 2H24 NIM improved by 28 bps from 1H24 to 1.20%, while 2H24 NII increased by 25% to \$10.7m compared to 1H24.
- 2H24 Fee Income increased by 43% compared to 1H24, due primarily to an increase in Goldman Sachs off balance sheet volumes.
- Higher margin lending (both organic and inorganic) made up 28% of total FY24 settlements.
- Higher margin lending portfolio grew to \$257m, an increase of 32% on FY23 and now represents close to 19% of the total portfolio.
- Phase 1 of the technology transformation to drive efficiencies and simplify processes within the higher margin commercial business is now complete.
- No immediate capital needs as Capital Adequacy Ratio of 23.4% provides capacity to pursue strategic direction.

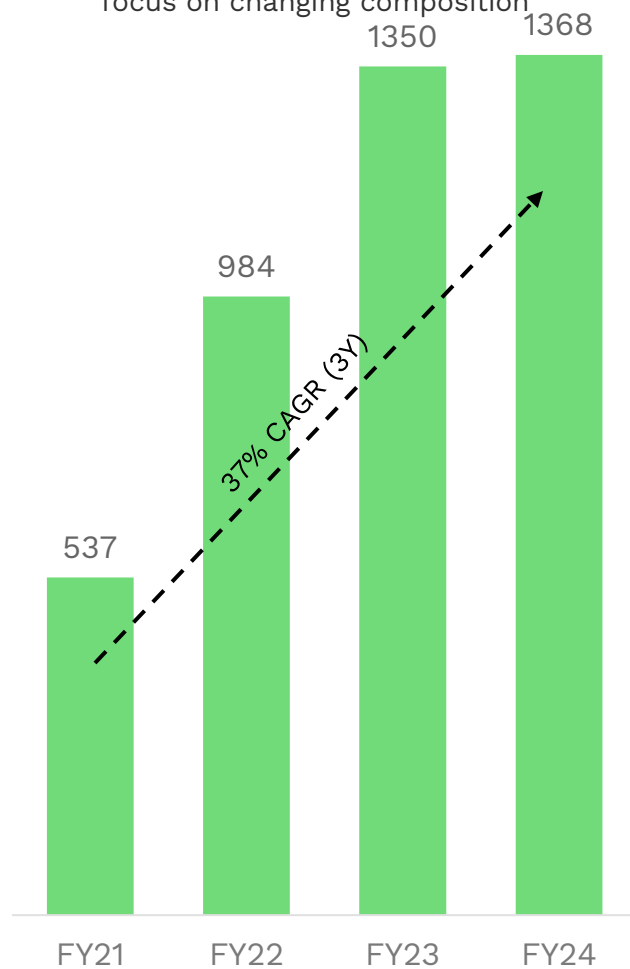
BNK Loan Book, Deposits & Net Interest Income

Transitioning away from lower margin prime residential

ASX:BBC

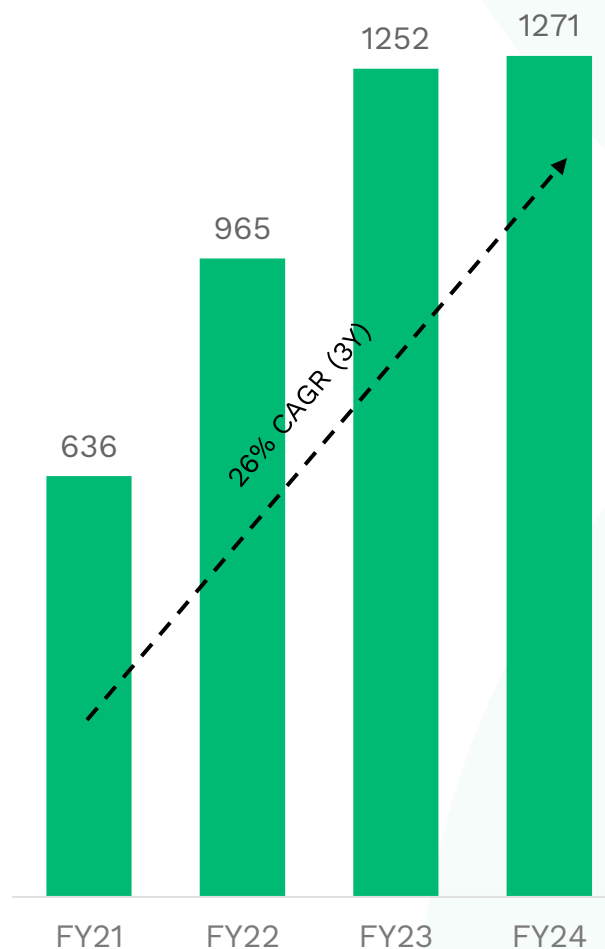
Loan book (\$m)

Overall Loan Book steady in FY24 with a focus on changing composition



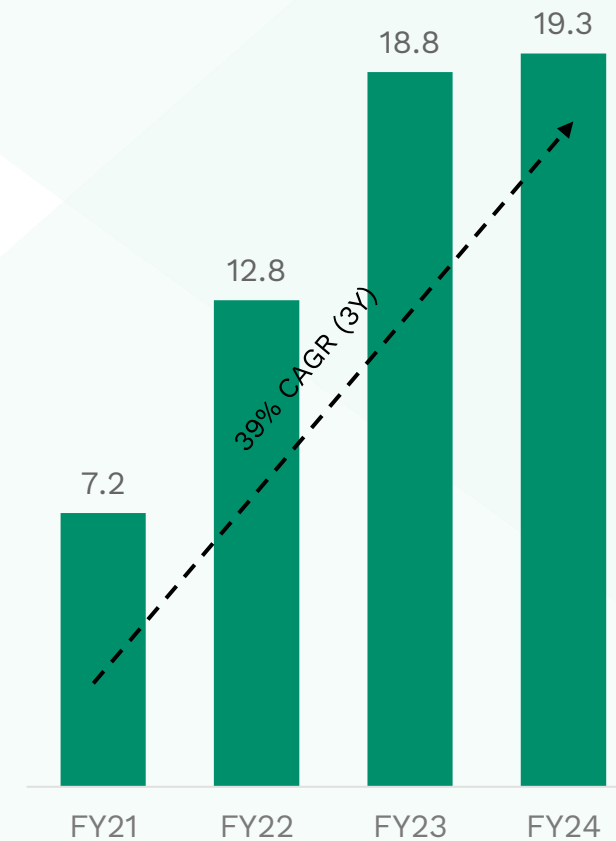
Deposit book (\$m)

Deposit Book steady in FY24



Net Interest Income (\$m)

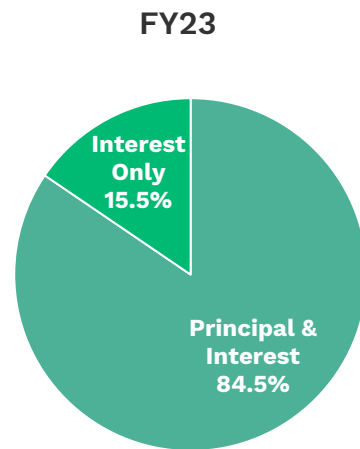
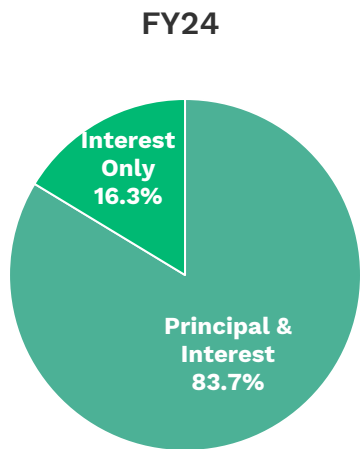
Continued upward trend in NII



Risk-managed growth and diversification in the BNK-funded lending portfolio

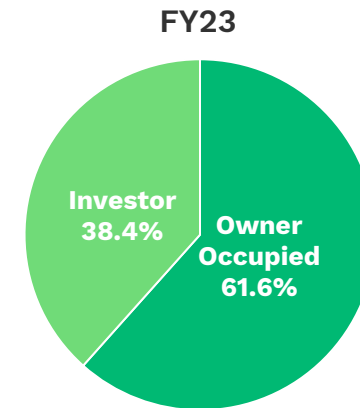
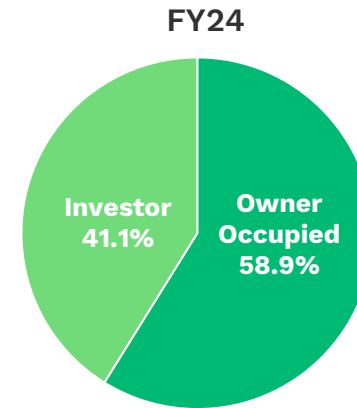
Stable risk profile despite increase in higher margin loans

On Balance Sheet Loans



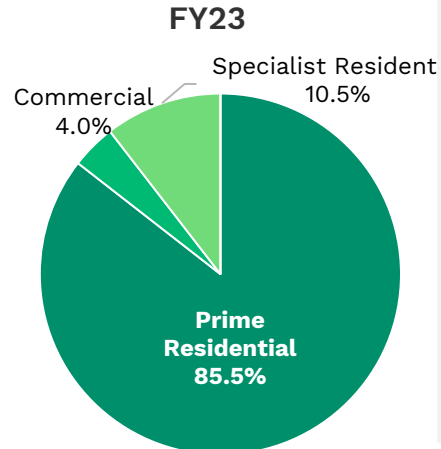
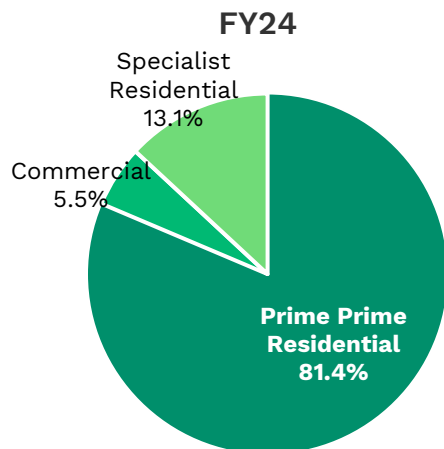
Stable position with borrower equity continuing to accumulate.

Portfolio By Loan Type



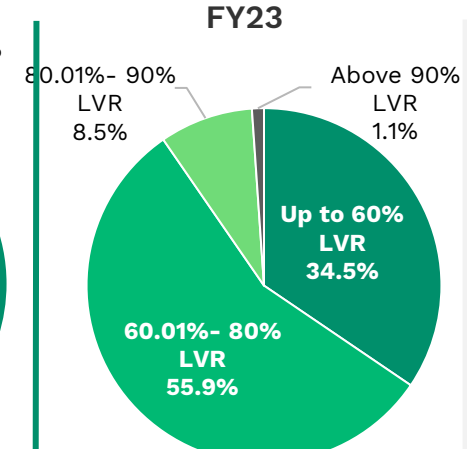
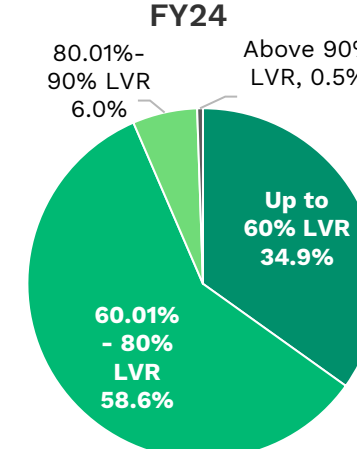
Slight portfolio shift with increased investor loans.

Portfolio Mix By Loan Category



Strong growth in higher margin residential loans as a result of the Goldman Sachs specialist warehouse portfolio acquisition.

Portfolio Mix By LVR



Improved LVR mix at settlement with the expansion into higher margin loans.

Strong Cornerstone Portfolio

BNK has focused on changing the lending book composition in FY24 with greater priority on higher margin lending



High quality customers

- Approx. 44% of loan book are ahead in their repayments.
- 1.64% of the Residential loan book are in arrears over 30 days as at June 2024.
- 0.89% of the Commercial loan book are in arrears over 30 days as at June 2024.
- Mortgagee in possession rates remained at zero.
- No credit write-offs recorded for FY24.
- Slight decrease in offset account balances from \$89m to \$79m over FY24.



Loan size increased

- Average loan size increased from \$382k to \$391k YoY, while maintaining a strong LVR mix.



Majority of loans on variable rate

- Fixed Rate loans make up 8% of the BNK portfolio as at 30 June 2024.
- Fixed rate portfolio will reduce by 46% over H1 in FY25 and a further 42% over the rest of FY25.
- No new Fixed Rate business being originated.

FY24 Financial Results

Steve Kinsella

Chief Financial Officer

Strong portfolio performance in a competitive landscape

Economic & Business Environment

- Higher absolute interest rates impacting borrowers including fixed rate maturities.
- Increased competition for loans, especially Prime Residential.
- Elevated funding costs with deposit competition amidst industry TFF unwind.

BNK Portfolio

- Reduction in Prime Residential book with lower margins.
- Fixed rate loan repricing continuing with bulk of remaining portfolio rolling off in FY25.
- Arrears increase with rising rates from a low base but well within tolerance.
- Continued focus on expense management and cost discipline.
- Active management of liquidity and investments with improved returns.
- Goodwill carrying value re-assessed and written down, no impact on Regulatory Capital.
- Creation of capacity leading to Capital Adequacy ratio increase.

FY24 Financial Results

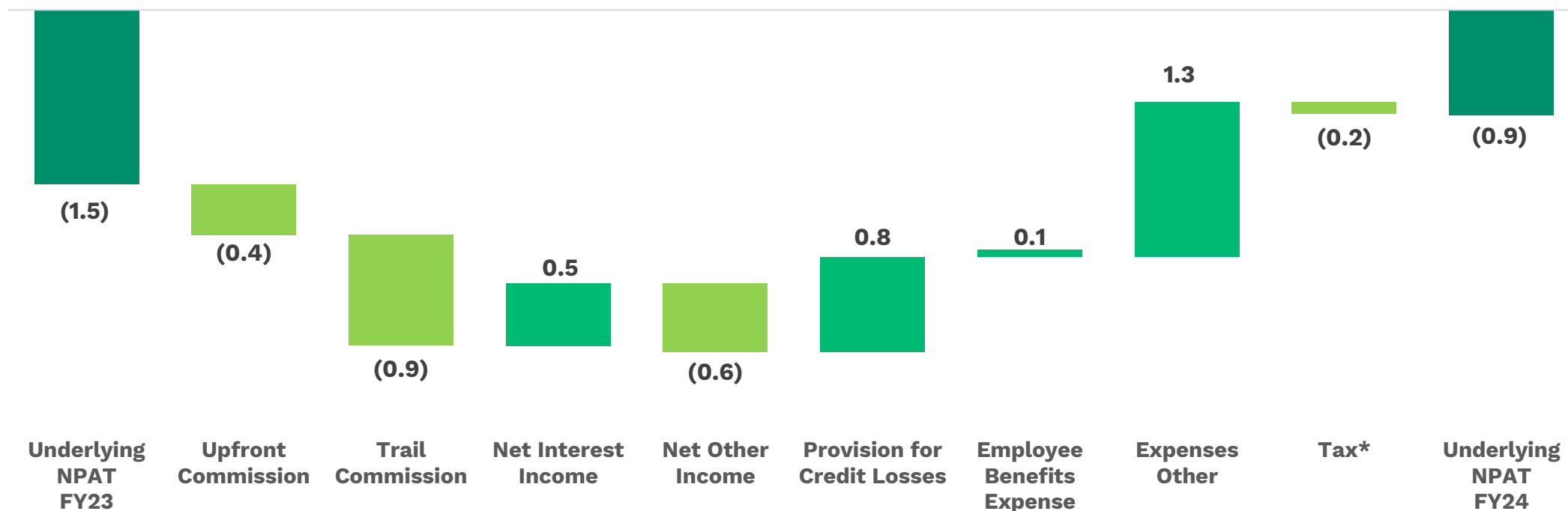
Improvement in underlying NPAT whilst Goodwill Impairment impact on statutory results

	Statutory (\$'000)	Underlying (\$'000)	Underlying to FY23 %*
Net Interest Income	19,290	19,290	↑ 3%
Other Income	(1,855)	1,085	↓ 63%
Expenses - Underlying	(21,385)	(21,385)	↓ 6%
Expenses – Non –recurring	(\$199)	-	-
Operating Performance	(4,149)	(1,010)	↑ 7%
Credit Loss Provision	(300)	(300)	↓ 73%
Goodwill Impairment	(3,600)	-	-
NPBT	(8,049)	(1,310)	↑ 40%
Tax	1,348	393	
NPAT	(6,701)	(917)	↑ 40%

Performance – Underlying – FY24

Improvement in NII, Expenses and Credit Provisions, partly offset by increased Commissions expense

FY24 v FY23 (\$m)



* Underlying NPAT presented are tax normalised assuming effective tax rate c. 30%

FY24 Key Metrics

	FY24	FY23	Change on PCP
Total Assets	\$1,725m	\$1,680m	↑ 3%
Loans	\$1,368m	\$1,350m	↑ 1%
Deposits	\$1,271m	\$1,252m	↑ 2%
Net Interest Margin	106bps	115bps	↓ 9bps
Cost-Income Ratio (underlying)	105%	105%	Flat
Capital Adequacy Ratio	23.36%	22.84%	↑ 52bps
Minimum Liquid Holdings Ratio (Spot)	22.37%	20.66%	↑ 171bps
Net Tangible Assets per share	\$0.99	\$1.02	↓ \$0.03

2H24 Financial Results

Improvement in underlying NPAT from 1H24

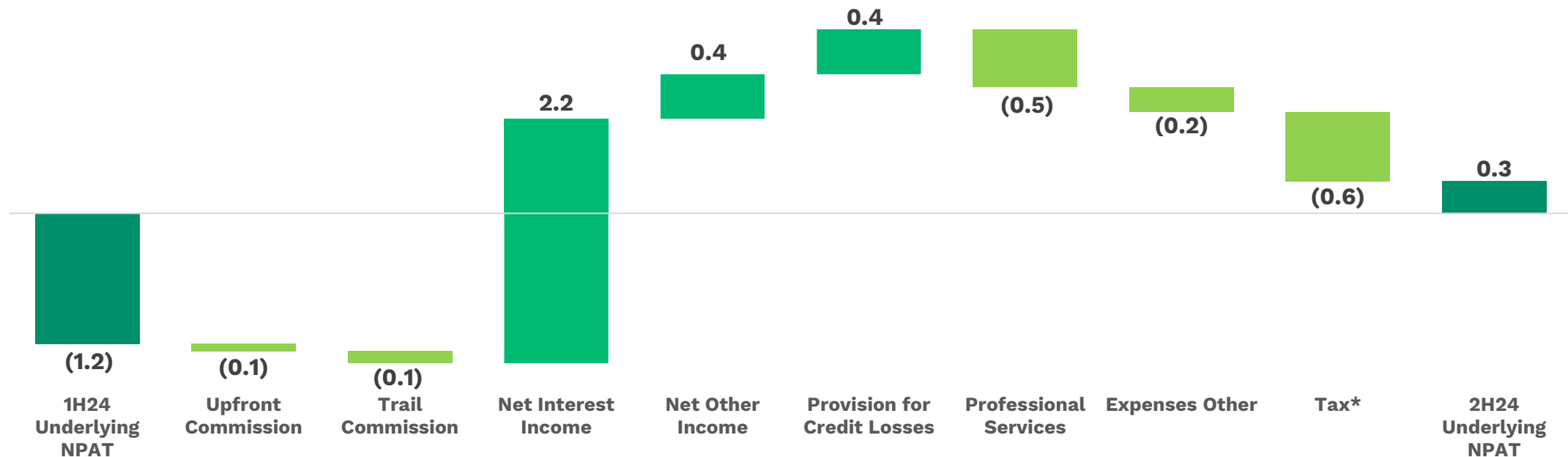
	2H24 Underlying (\$'000)	1H24 Underlying (\$'000)	Variance %*
Net Interest Income	10,735	8,555	↑ 25%
Other Income	676	409	↑ 65%
Expenses - Underlying	(11,078)	(10,307)	↑ 7%
Operating Performance	333	(1,343)	↑ 125%
Credit Loss Provision	52	(352)	↓ 115%
NPBT	385	(1695)	↑ 123%
Tax	(115)	508	
NPAT	270	(1,187)	↑ 123%

* Better/Worse

Performance – Underlying – 2H24

Improvement in NII, Other Income and Credit Provisions, partly offset by increased Expenses

2H24 v 1H24 (\$m)



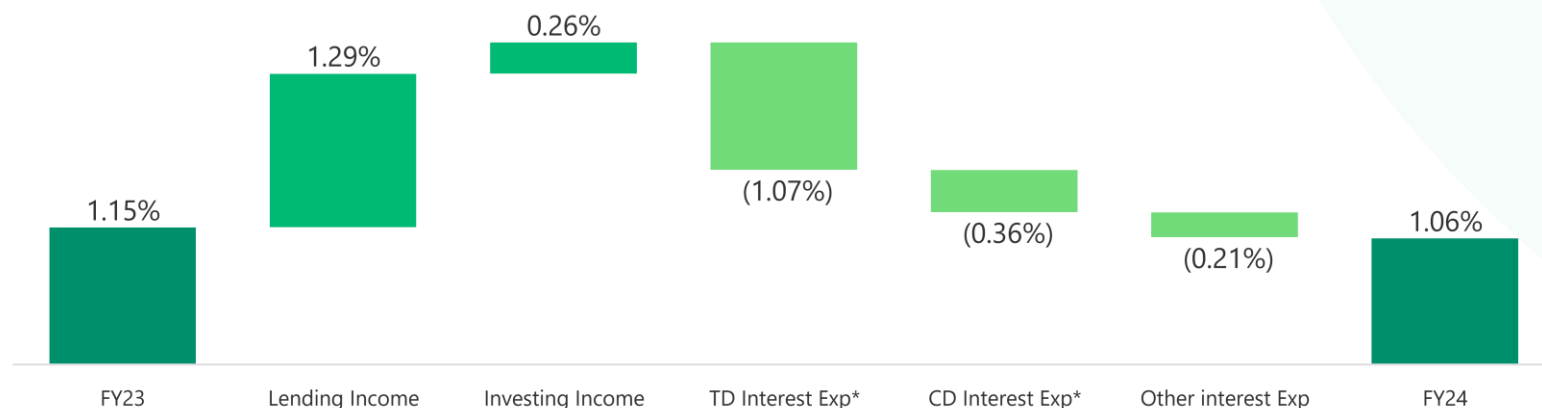
- Increase in NII with a focus on higher margin lending business, focused deposit funding and improved returns on liquid assets.
- Increase in other income driven by higher origination fees.

* Underlying NPAT presented are tax normalised assuming effective tax rate c. 30%

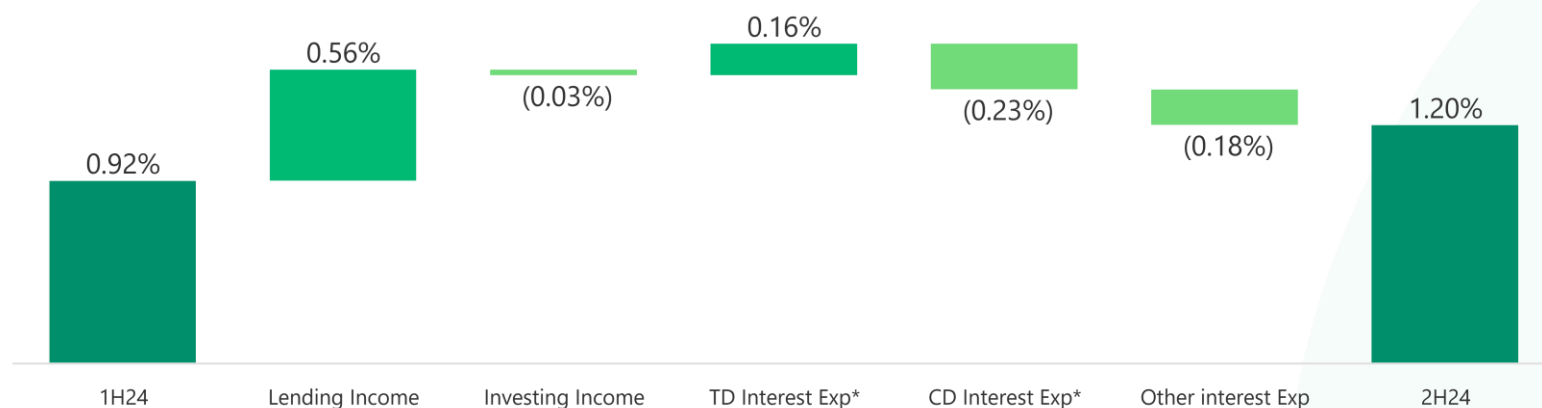
Net Interest Margin

Ongoing margin pressure in FY24 with improvement in the second half

FY24 v FY23 NIM



2H24 v 1H24 NIM

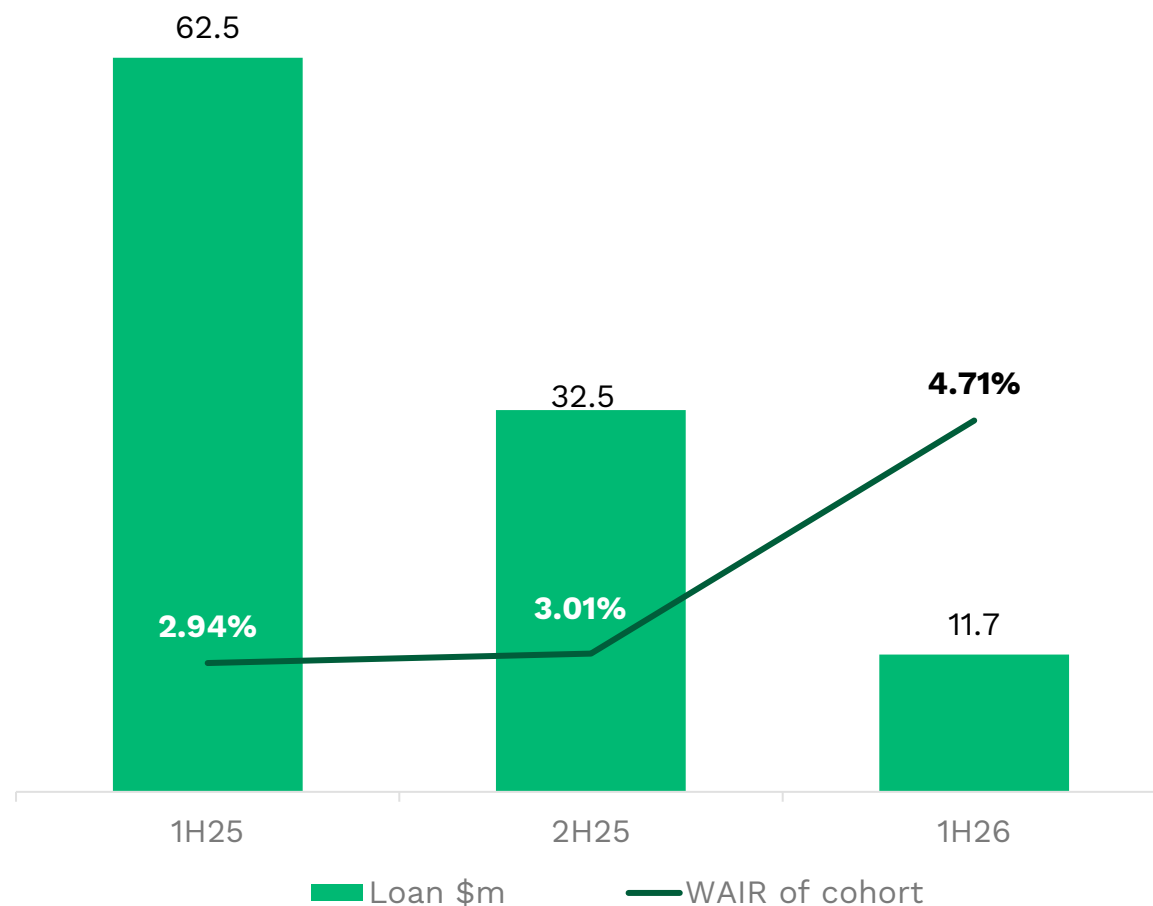


- Decline in NIM in FY24 with strong competition across both home loans and deposits.
- Improvement in 2H24 NIM to 1.20% driven by improving yields from the loan book, improved investment returns and more targeted deposit funding.
- Positive NIM trend continues to be supported by:
 - Remaining fixed rate mortgage re-pricing.
 - Continued expansion into Commercial and other higher margin lending products.
 - Continued focus on optimising deposit pricing and management of investment returns on liquid assets.

* TD – Term Deposit; CD – Cash Deposit

Fixed Rate Home Loans

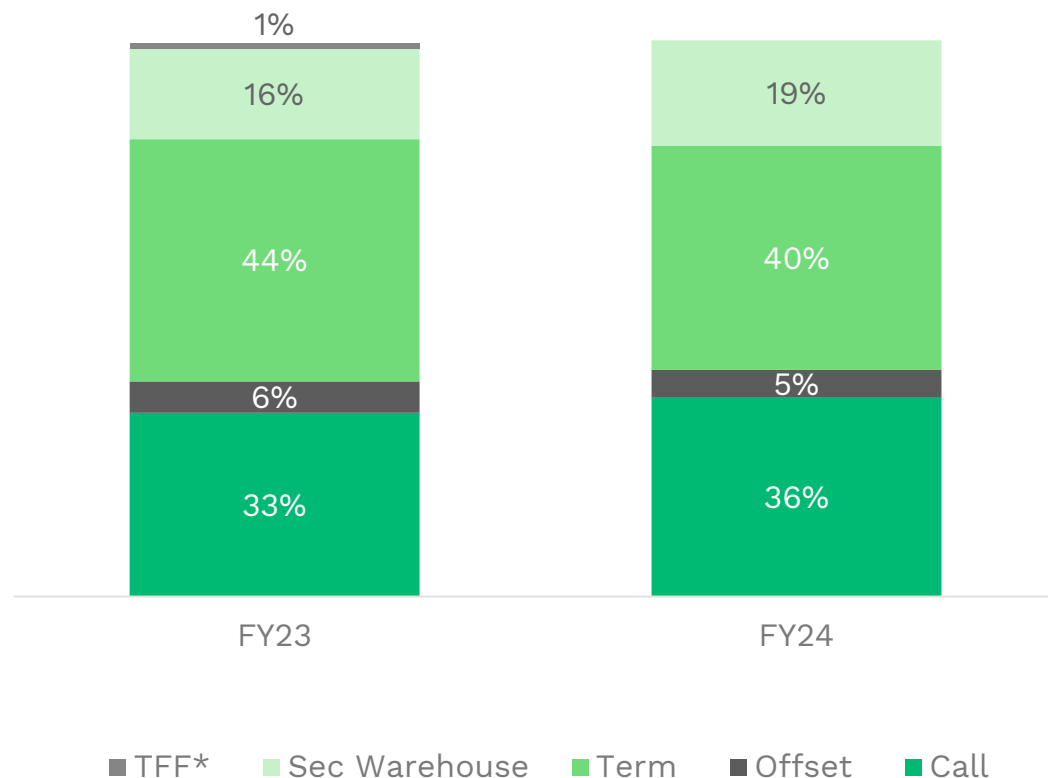
Remaining Fixed Rate maturities provide incremental margin uplift potential



- Remaining Fixed Rate HL book due to rollover during the next 18 months.
- Working with our customers to provide attractive pricing and active retention.
- NIM upside given the existing Weighted Average Interest Rate (WAIR) on each cohort in the portfolio.

Funding Mix

Increased competition for deposits as customers seek out higher yield

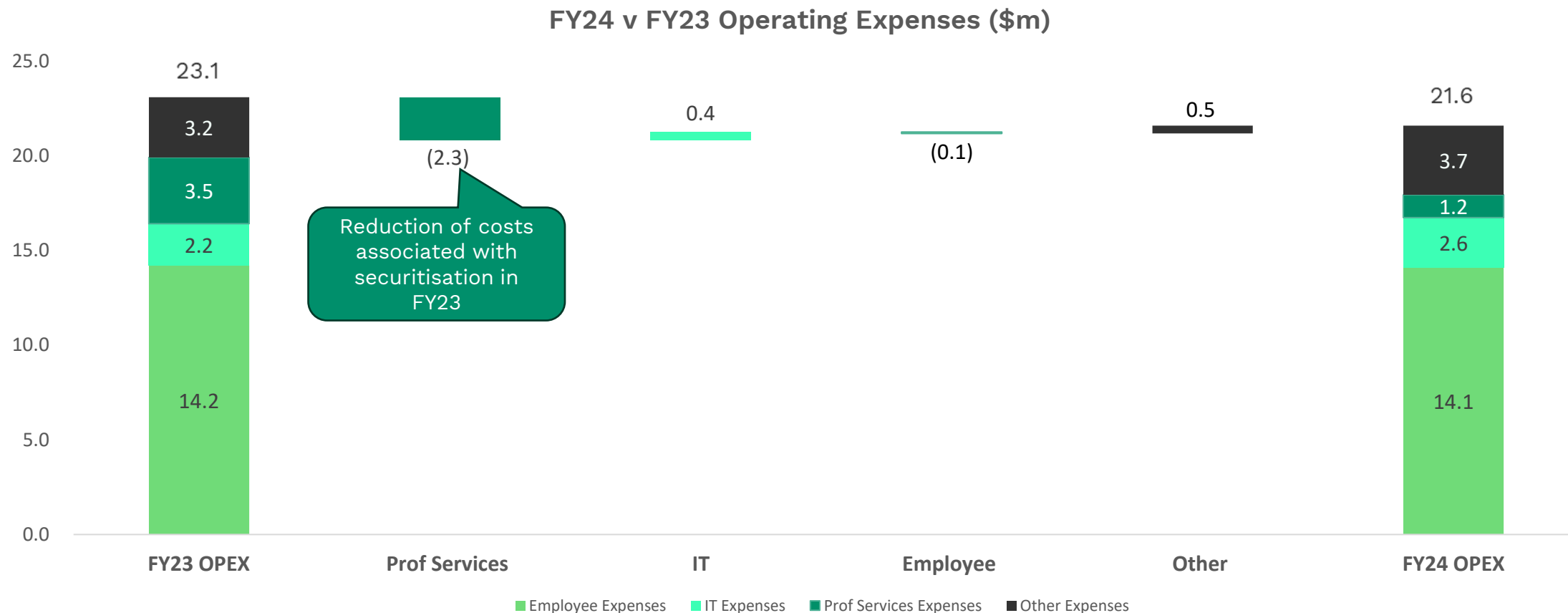


- TFF fully repaid in FY24.
- Increased competition for Term Deposits has led to attractive rates for customers increasing funding costs.
- Current yields for Term Deposits are below recent highs but still elevated.
- Improved monitoring and focus on pricing, slight reduction in weighting of Term Deposits balancing Liquidity needs against NIM.

* The Term Funding Facility was repaid during 1H24.

Operating Expenses*

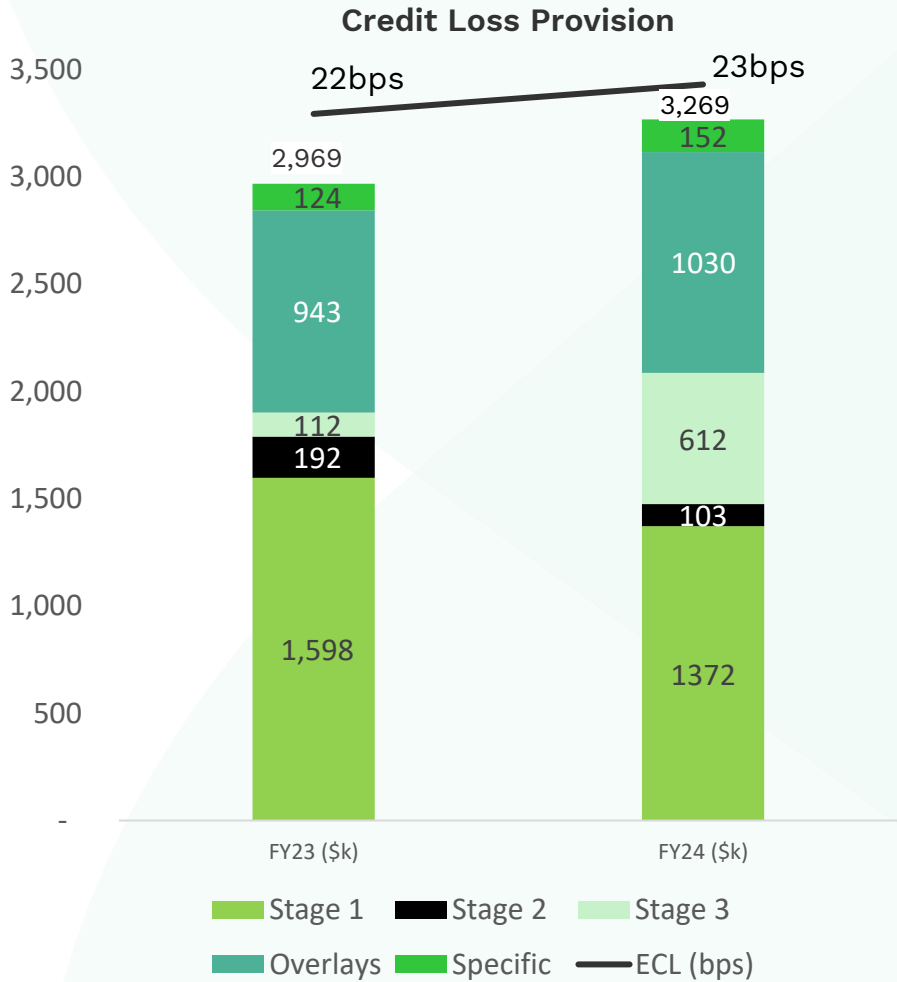
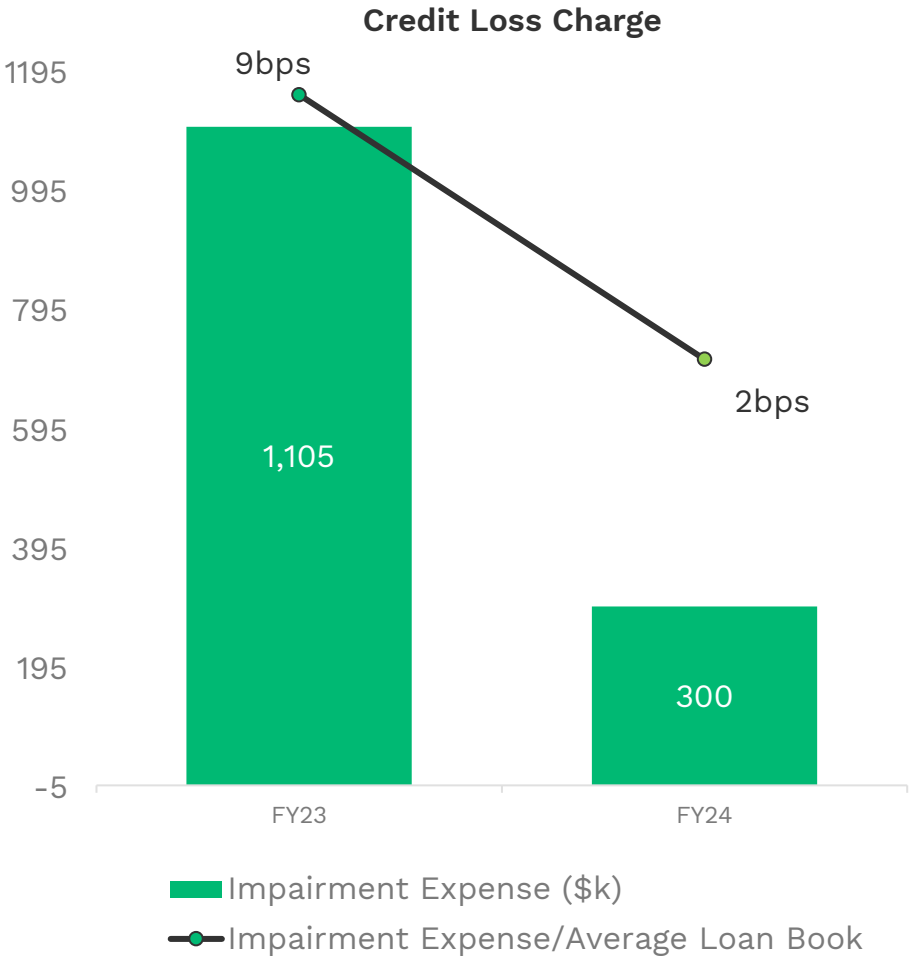
Continued focus on cost discipline and productivity gains offsetting inflationary costs



* Statutory expenses and includes non-recurring costs in FY24 (\$199k IT) and FY23 (\$248k Prof Fees)

Credit Quality & Loss Protection

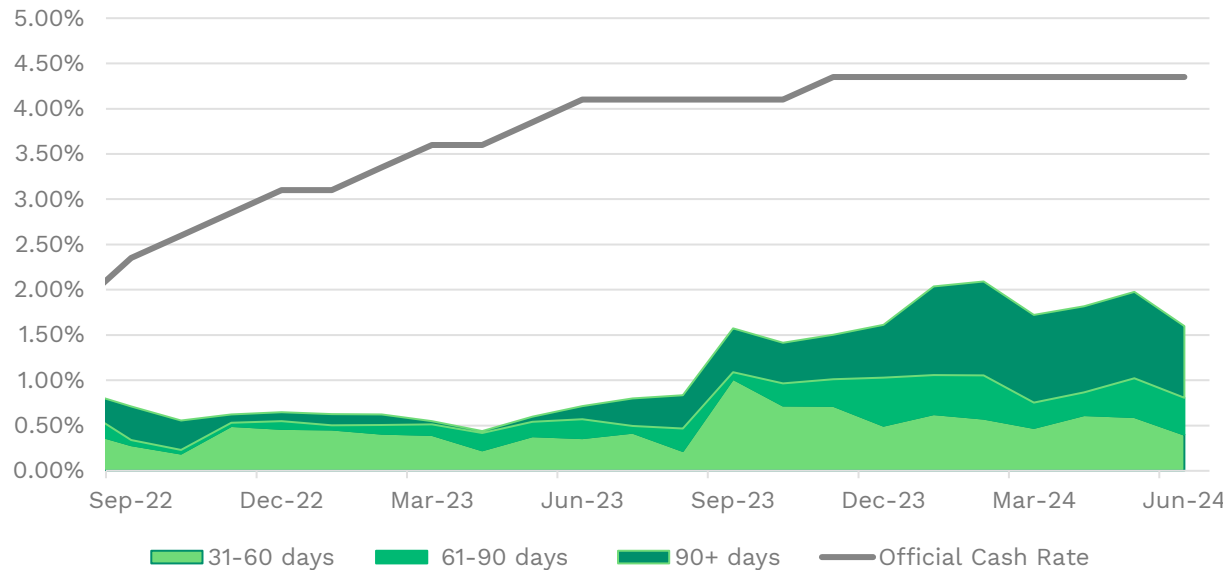
Adequate credit provisioning despite household economic pressures



Credit Quality & Arrears

Increase in Arrears as higher interest rates impact but showing signs of stabilising

Loan Book Arrears breakdown



Residential book Arrears ageing (% of Residential loan book)

Date	(31-60 days)	(61-90 days)	(90+ days)	Total (31 days+)
Jun-23	0.31%	0.21%	0.16%	0.69%
Sep-23	0.93%	0.13%	0.47%	1.53%
Dec-23	0.52%	0.55%	0.57%	1.64%
Mar-24	0.50%	0.29%	0.97%	1.76%
Jun-24	0.42%	0.43%	0.79%	1.64%

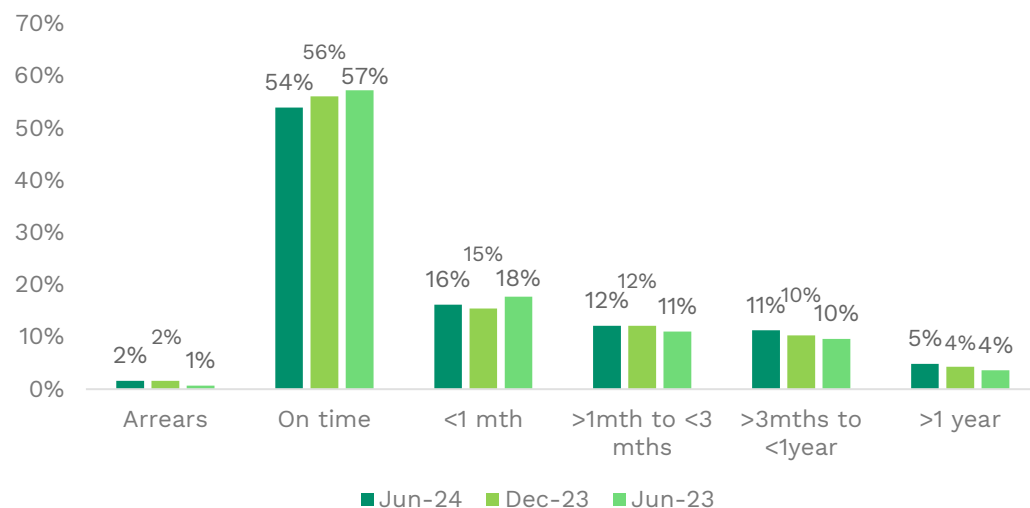
Commercial book Arrears ageing (% of Commercial loan book)

Date	(31-60 days)	(61-90 days)	(90+ days)	Total (31 days+)
Jun-23	0.51%	0.04%	0.45%	1.00%
Sep-23	2.85%	0.00%	1.46%	4.32%
Dec-23	0.00%	0.00%	1.41%	1.41%
Mar-24	0.00%	0.01%	1.32%	1.33%
Jun-24	0.00%	0.00%	0.89%	0.89%

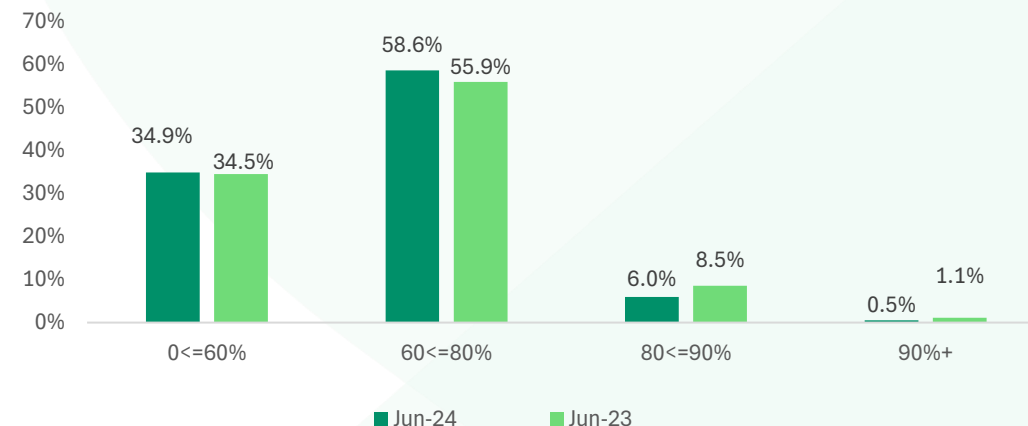
Credit Quality & Portfolio Profile

Customers showing resilience, portfolio strength

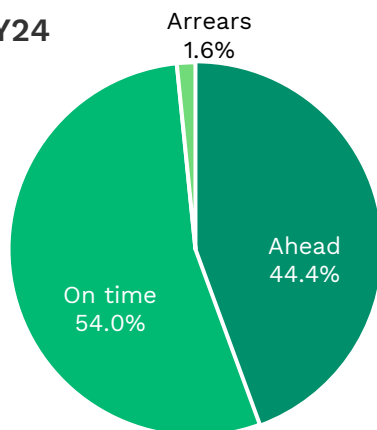
Customer Repayment Profile



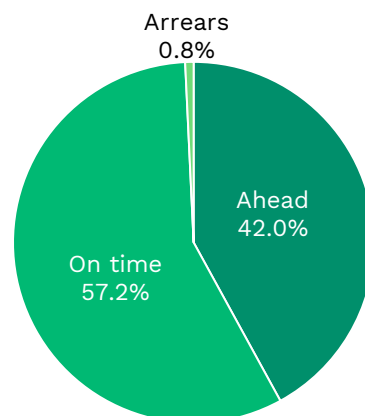
Portfolio Loan to Value Ratios (LVR) % breakdown



FY24



FY23



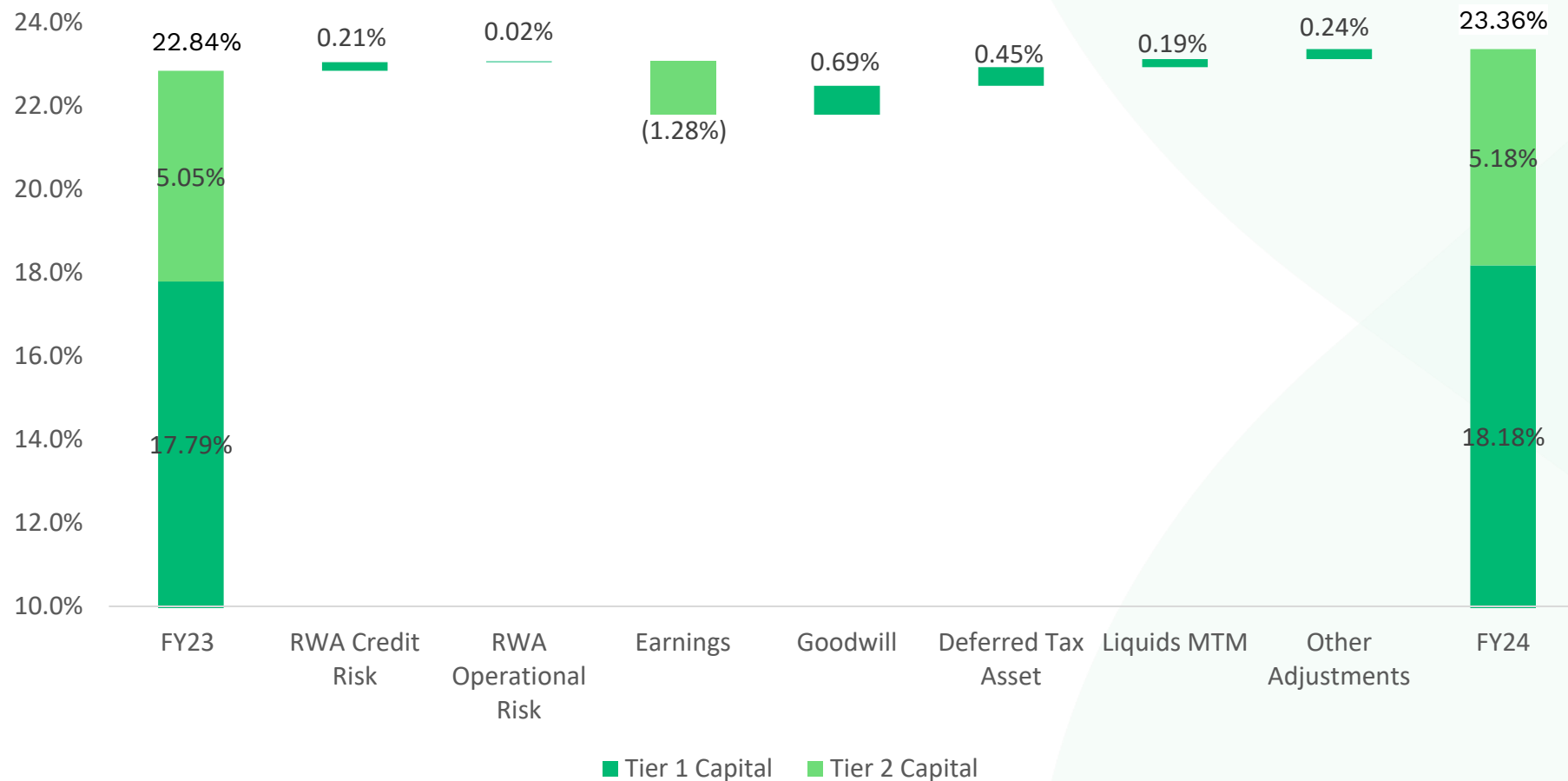
- Customers have largely continued to stay on time or ahead of payments despite increasing rates and as fixed rate maturities roll off.
- The portfolio remains well positioned from an LVR perspective.

* On time includes any accounts up to 30 days behind on payments

Well Capitalised

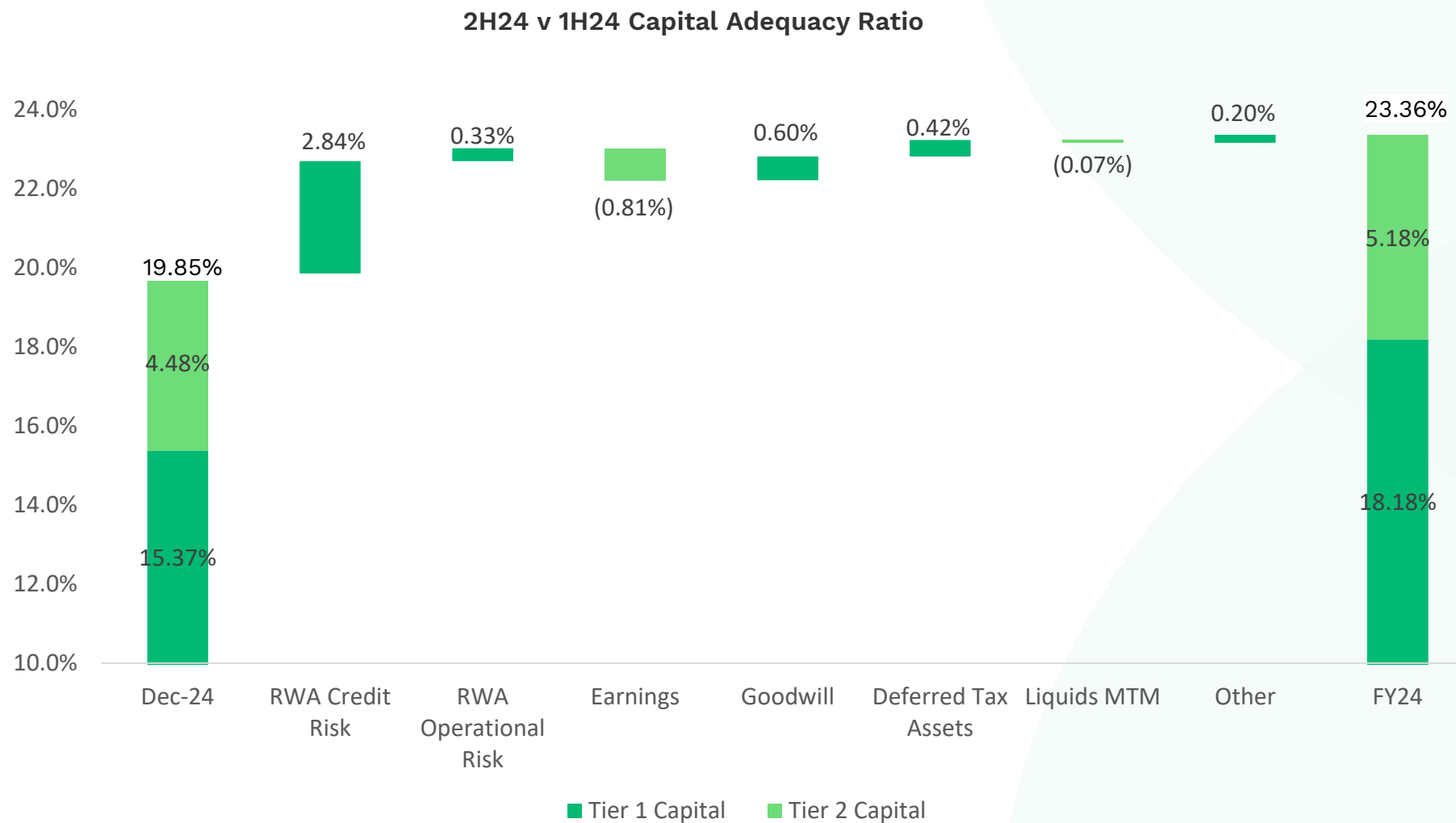
Strong capital position remains well above regulatory minimums

FY24 v FY23 Capital Adequacy Ratio



Capital Capacity

Repositioning the Balance sheet during 2H24 has created growth capacity



Strategy Update and Outlook

Allan Savins

Chief Executive Officer

Strategic progress in FY24

Portfolio transformation to sustainable profit underway

GOALS ACHIEVED IN FY24



GROWTH

TARGET: Increase BNK's balance sheet asset book.

- Focus on portfolio composition rather than headline growth
- Higher margin assets now comprise ~19% of the portfolio
- Maintained strength in the residential mortgage portfolio, with no write-offs in FY24.
- Customer Deposit to Total Loan ratio of 93% ensures stability of funding.



MARGIN

TARGET: Move into higher margin lending with 15%-20% in commercial property settlements in FY24. Increase Net Interest Margin to >2% over the medium term

- Higher margin lending (both organic and inorganic) achieved 28% of total settlements in FY24.
- 2H24 NIM up to 1.20% from 0.92% in 1H24.
- Improved capital efficiency to achieve the higher margin business targets.



PROFITABILITY

TARGET: Positive Underlying NPAT in FY24. ROE of >10% and Cost to Income ratio of <60% over the medium term.

- Improved Underlying NPAT by 40% YoY
- Achieved 2H24 Underlying NPAT of \$270k
- Grew Net Interest Income by 3% YoY (25% in 2H24 vs 1H24)
- Operating costs were down 6% YoY
- 2H24 Cost to Income ratio of 97%.

Helping Enterprising Australians

Strategic focus for FY25

Clear vision, focused execution

	GROWTH	MARGIN	PROFITABILITY
	TARGET: 30% concentration of higher-margin assets to attain optimal capital efficiency	TARGET: Increase BNK's Net Interest Margin to >2% over the medium term	TARGET: Focus on achieving steady, sustainable growth, with a ROE >10% and Cost to Income ratio of <60% over the medium term
FY25 PLANNED INVESTMENTS	• Drive revenue growth and diversification. • Risk-Weighted Asset optimisation and recycling of capital to fund loan growth. • Higher margin assets / higher return of capital will continue to be the primary area of focus. • Phase 2 of the technology transformation is underway to drive further efficiencies and improve the customer experience.	• Asset mix optimisation. • Cost effective funding through a combination of lower cost funding sources and/or wholesale funding markets.	• Build on 2H24 underlying profit to deliver sustainable underlying profit in FY25. • Strategically pursue high margin and / or high return of capital opportunities, inorganic growth and white label partnerships. • Maintain cost discipline and efficiency. • Continue to increase non-interest income through the Goldman Sachs off balance sheet warehouse.

Summary & Outlook

Building a strong foundation for SME growth

- ✓ Deliver sustainable underlying profitable growth.
- ✓ Strategically pursue high margin and/or high return of capital opportunities.
- ✓ Optimise and reallocate Risk-Weighted Assets: Reducing low-profit residential loans to fund high-margin opportunities.
- ✓ Maintain cost discipline in an inflationary environment.
- ✓ Continue to transform the technology stack to drive efficiencies and improve the customer experience.
- ✓ Facilitate the continued growth and maturity of the Goldman Sachs off balance sheet warehouse.

Balance Sheet

Group (\$m)	FY24	FY23	\$ Var.	% Var.
Assets				
Cash & Equivalents	118.4	92.6	25.8	27.8%
NPV Asset	11.4	16.8	(5.3)	(31.9%)
Loans & Advances	1,378.2	1,357.5	20.7	1.5%
Other Assets	216.9	212.9	4.0	1.9%
Total Assets	1,724.9	1,679.8	45.1	2.7%
Liabilities				
Deposits	1,270.6	1,252.3	18.4	1.5%
Other Liabilities	333.1	299.3	33.8	11.3%
Total Liabilities	1,603.8	1,551.6	52.2	3.4%
Equity				
Contributed Equity	100.3	100.3	-	-
General & Other Reserves	1.6	1.9	(0.3)	(13.8%)
Retained Earnings	19.1	26.0	(6.8)	(26.2%)
Total Equity	121.1	128.2	(7.1)	(5.5%)