

INVESTOR PRESENTATION

FY23 Financial Results

25 August 2023

Agenda



FY23 Results Overview

Allan Savins
Chief Executive Officer



FY23 Financial Results

Andrew Kitchen
Group CFO



Strategy update and outlook

Allan Savins
Chief Executive Officer



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FY23 Results Overview

Allan Savins

Chief Executive Officer

“The 2023 financial year has been transformational for BNK as our company’s strategic expansion into higher margin lending begins to deliver returns in a less favourable credit environment. Our promise from a year ago to achieve cash NPAT profitability in Q4 FY23 – ahead of our initial guidance of FY24 – and our expansion into higher margin assets, were both achieved.”



Allan Savins
Chief Executive Officer

FY23 Results Overview



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\$18.8m

Net Interest Income
+46% on FY22

1.32%

Direct Net Interest
Margin (NIM)
Up 6bps on FY22

\$21.6m

Operating Expenses
Up \$(2.9)m on FY22

\$128.4m

Group Net Assets
Down \$(62)m on FY22

\$(3.7)m

Bank NPAT
Up \$3.2m on FY22

\$(1.5)m

Cash NPAT*
Up \$(0.6)m on FY22

Financial highlights

- Achieved Q4 cash profit ahead of original FY24 timeline.
- NII growth drives positive Jaws of 9.7% on a YoY basis.
- Exit NIM of 1.57% for FY23 marks progress towards 2% target.
- Higher margin lending portfolio grew 15x to \$195m.
- Total on balance sheet loan book of \$1.3b, an increase of 37%.
- Total deposits increase by 30% to \$1.3b.
- Capital Adequacy Ratio – 22.84%

Strategic highlights

- Distributed proceeds of \$60m Finsure sale to shareholders as a \$20m capital return and a fully franked special dividend of \$0.34/share.
- Strengthened our shareholder base by welcoming non-bank lender Firstmac as a substantial shareholder.

*Normalised for tax

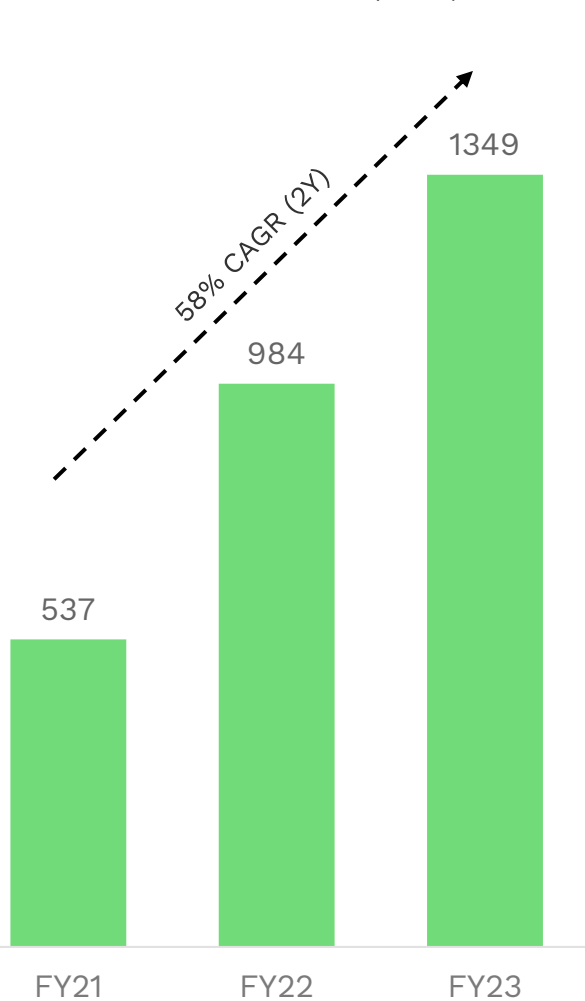
BNK Loan Book, Deposits & Net Interest Income

Consistent growth achieved across lending and deposits

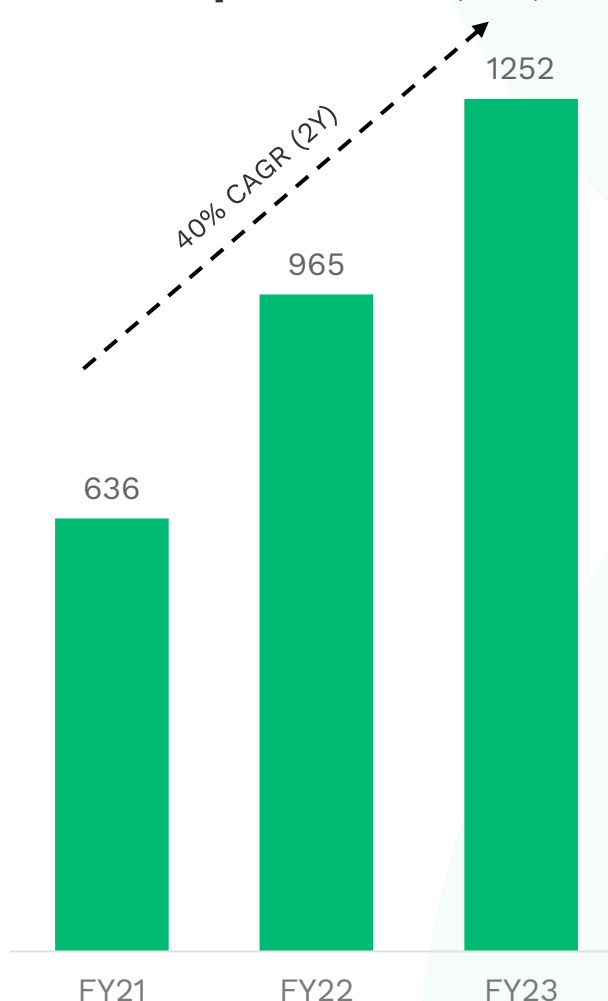


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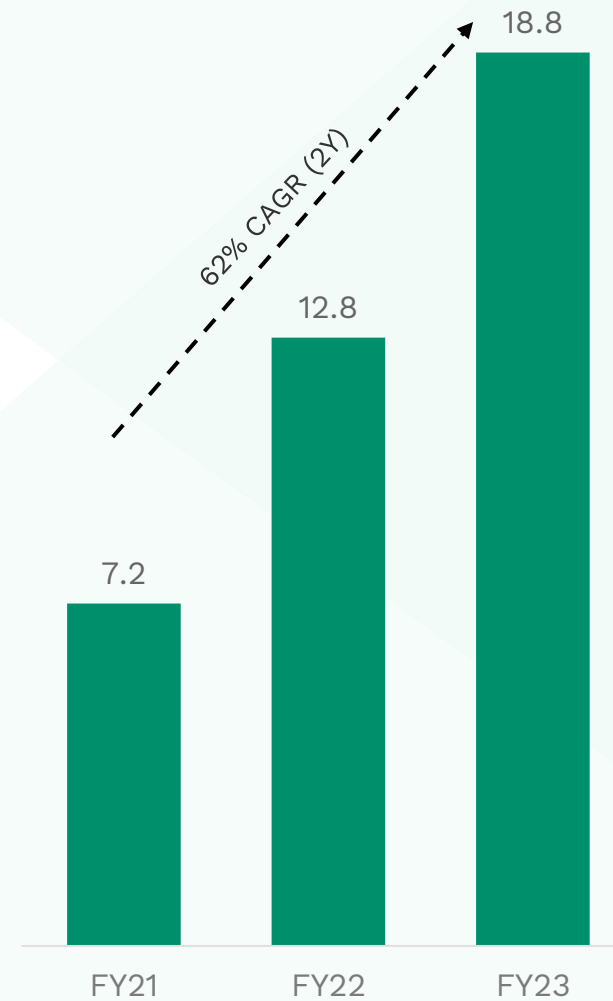
Loan book (\$m)



Deposit book (\$m)



Net Interest Income (\$m)



BNK'S DEPOSIT STRATEGY

Investment that sustainably grows BNK's deposit base

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Network and Relationship

- Diversify and grow third party relationships
- Prioritising human touch service over price
- Focus on cross-selling to existing portfolio
- Build strong networks to open new market opportunities

Phase 1

Technology and Brand

- Amalgamate and promote BNK brand
- Create a customer centric core banking system
- Website development to improve service offering
- Invest in an NPP-capable digital banking app
- Provide improved options for digital customers
- Improve CRM processes

Phase 2

Automation and innovation

- Automate direct customer processes
- Invest in digital customer technology
- Improve Customer Relationship Management systems
- Grow customer share of wallet by expanding range of products for SME, SMSF, and retail customers
- Utilise innovative customer interaction options

Phase 3

Priorities

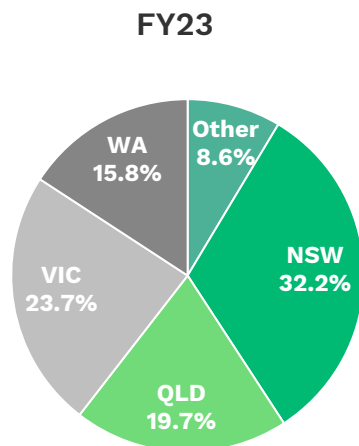
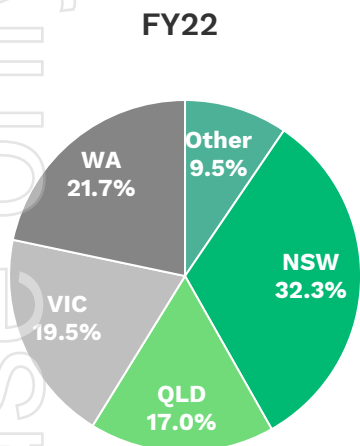
Risk-managed growth and diversification in the BNK-funded lending portfolio

Improved geographic mix and diversity of loan categories



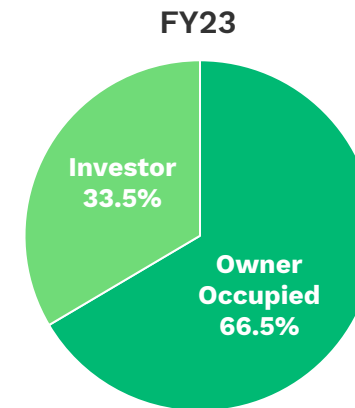
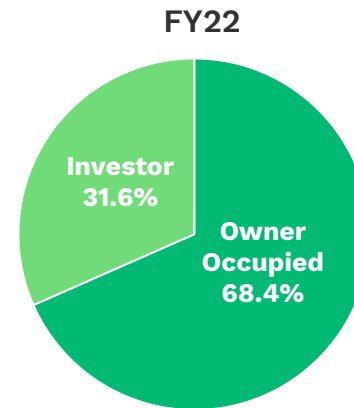
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On Balance Sheet Loans



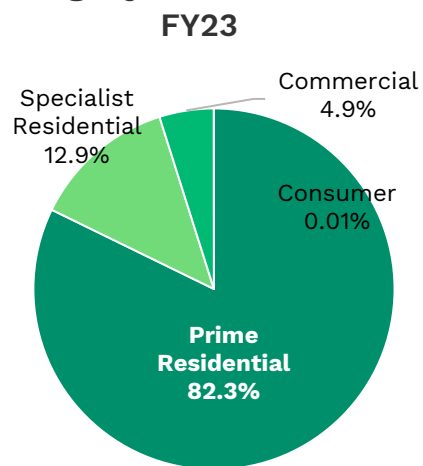
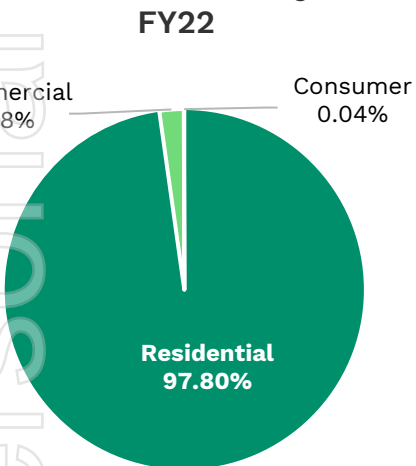
Increasingly diverse geographic customer base de-risks the lending portfolio.

Portfolio By Loan Type



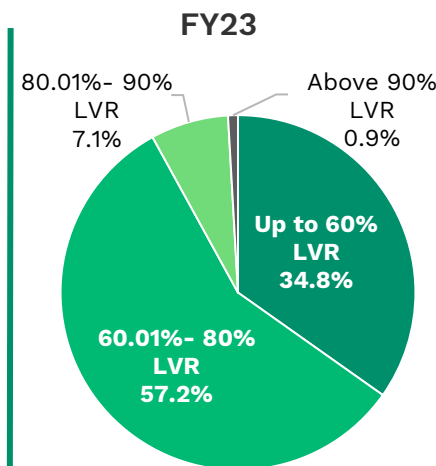
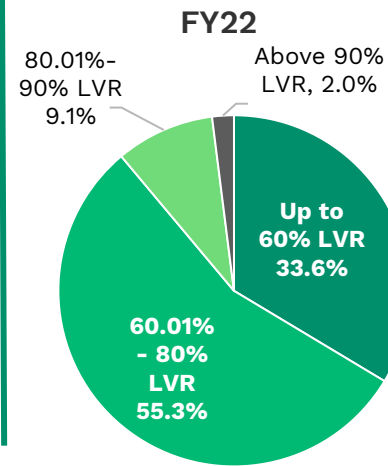
Modest increase in investor lending supports margin expansion.

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



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

Strong Cornerstone Portfolio

BNK has delivered growth while maintaining strength in its underlying loan portfolio:



Loan quality control maintained

- Retained interest rate servicing buffer of 3.0% in FY23.



Loan size increased

- Average loan size increased from \$340k to \$382k YoY, while maintaining a strong LVR mix.



High quality customers

- Slight increase in offset account balances from \$87m to \$89m over FY23.
- Approx. half of all loan accounts (49%) are ahead in their payments.
- Mortgagee in possession rates remained at zero.
- No credit write-offs recorded for FY23.



Majority of loans on variable rate

- Fixed Rate loans make up 24% of the BNK portfolio as at 30 June 2023.
- Fixed Rate lending has reduced to below 8% of new loans in FY23.
- Maximum Fixed Rate term remains 3 years.
- Fixed rate portfolio will reduce by 57% over FY24 and a further 40% over FY25, remaining a retention tool in the product mix.

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FY23 Financial Results

Andrew Kitchen

Chief Financial Officer

Positive momentum in earnings

	FY23	FY22	Change on PCP
Group Statutory NPAT	\$(3.9)m	\$59.8m	↓ LRG*
Net Interest Income	\$18.8m	\$12.8m	↑ 46.2%
Bank Cash NPAT	\$(1.5)m	\$(2.1)m	↑ 29.5%
Group Net Assets	\$128.2m	\$190.4m	↓ 32.7%*
Bank Net Interest Margin	132bps	126bps	↑ 6bps
Capital Adequacy Ratio	22.8%	47.5%	↓ 24.7%*
Minimum Liquid Holdings	21.3%	32.6%	↓ 11.3%*

(*) PcP comparatives impacted by Finsure divestment in FY22 and subsequent \$60m distribution to shareholders.



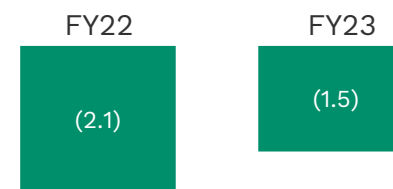
Performance

Delivered Q4 cash profit

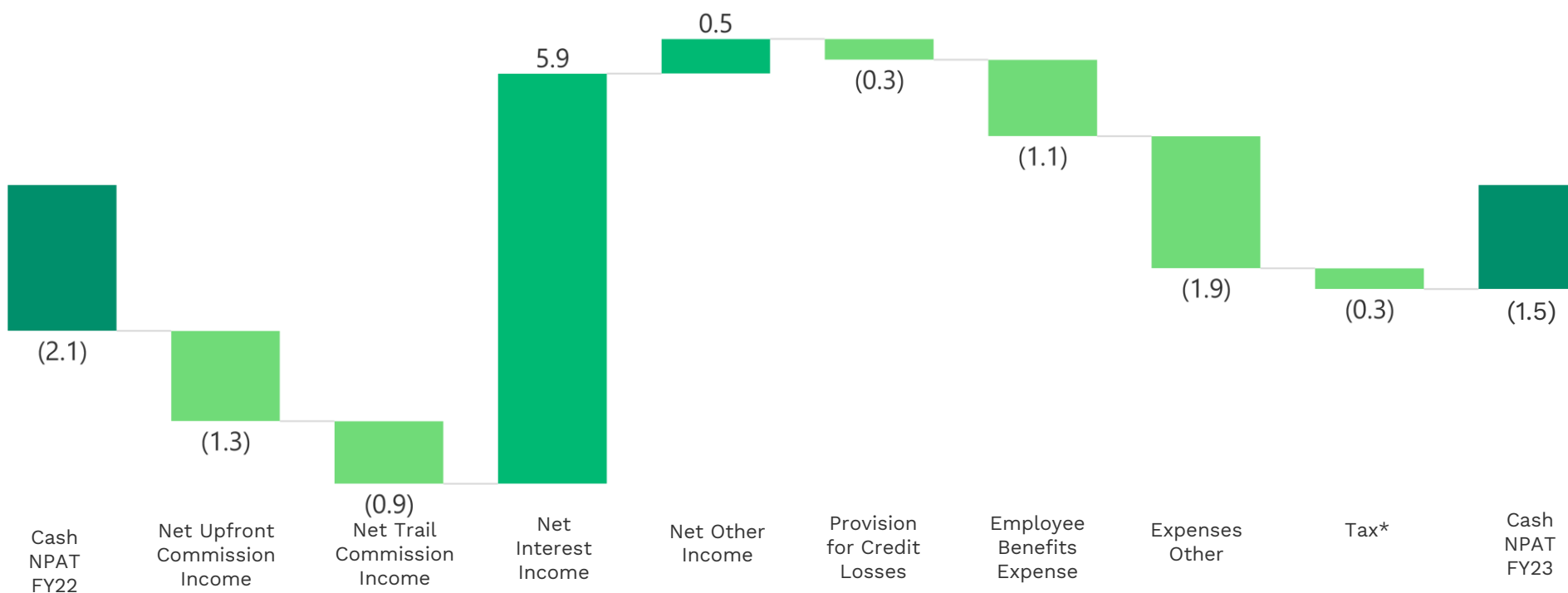
Underlying NPAT* (\$m)



Cash NPAT* (\$m)



Cash NPAT bridge* (\$m)



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

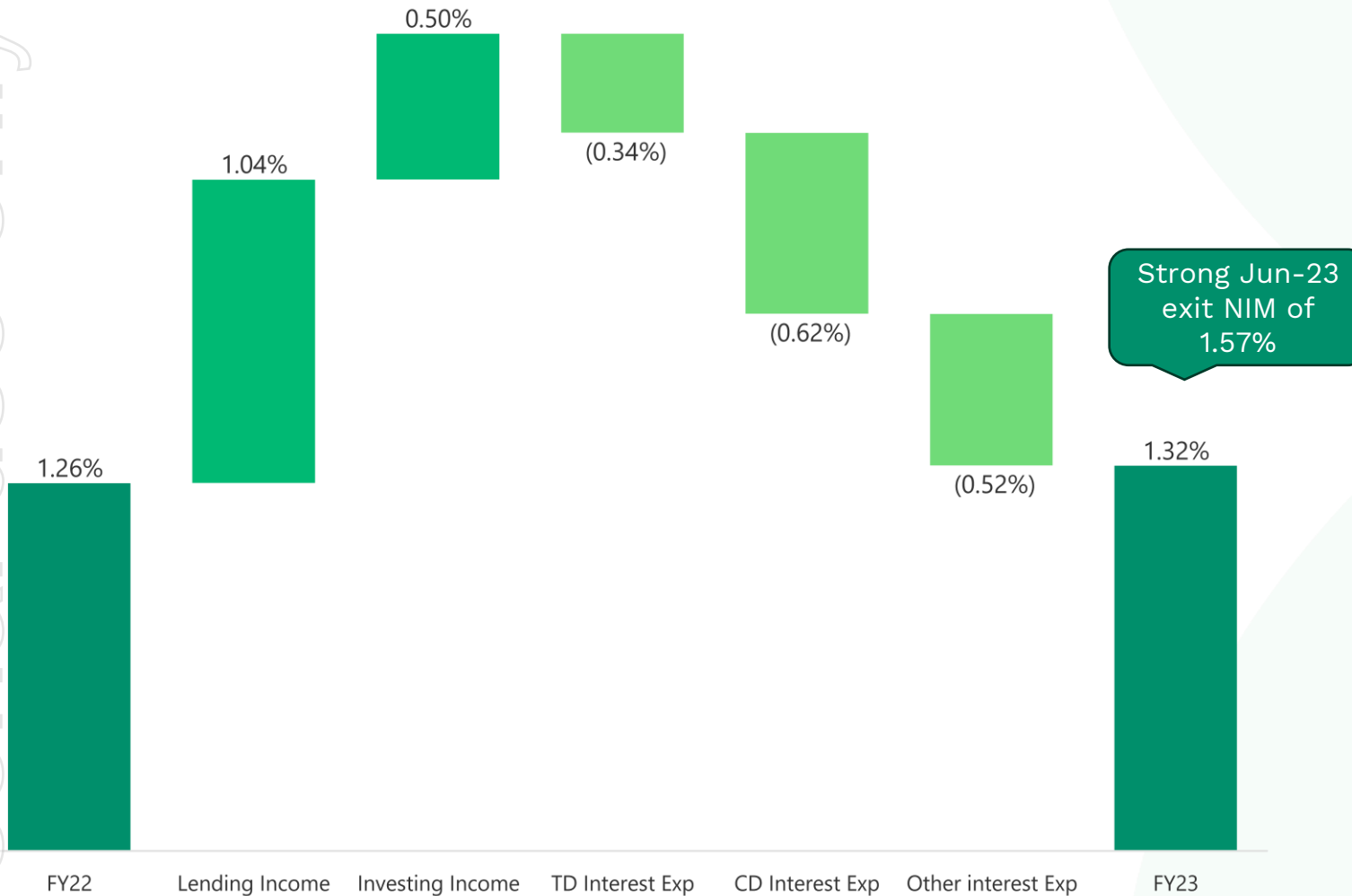
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Bank Net Interest Margin

Growth in Exit NIM despite competitive mortgage market



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- Growth in NIM despite industry headwinds reflects BNK's competitive product mix.
- Steady progress towards exit NIM target of 2% reflects BNK's sound strategy.
- Opportunities to improve NIM:
 - Ongoing fixed rate re-pricing in the mortgage and deposit markets.
 - Continued expansion into higher margin SME market.
 - Increasing market share in competitive deposit space.

Operating Expenses

Operating Bridge (\$m)

	YoY Movement
Revenue Growth	\$4.1m
Expense Growth	\$2.9m
JAWs \$	\$1.2m
JAWs %	9.7%



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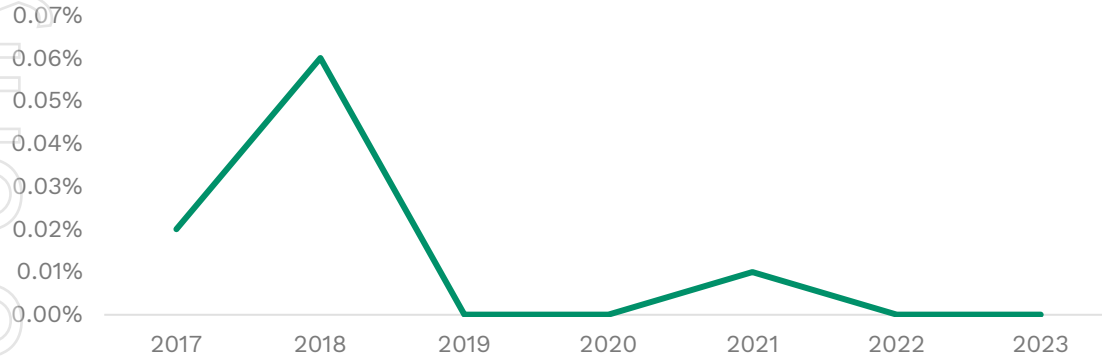
Credit Quality & Loss Protection

Growth achieved without sacrificing credit quality

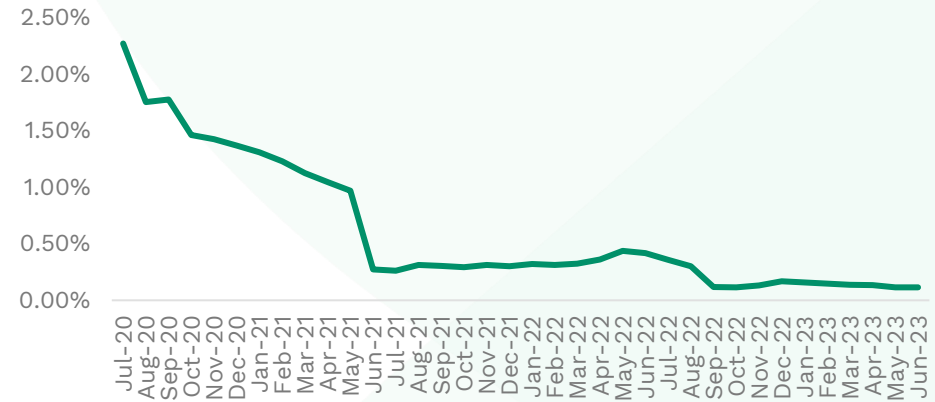


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Historical Credit Charges (% of loan book)



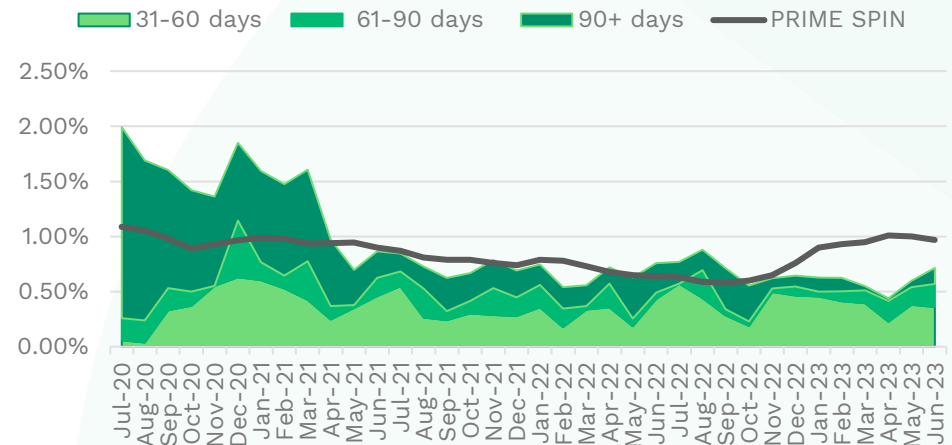
Portfolio Hardship Rate (% of customers)



ECL Changes Jun-22 to Jun-23 (\$ 000's)



BNK Arrears vs PRIME SPIN

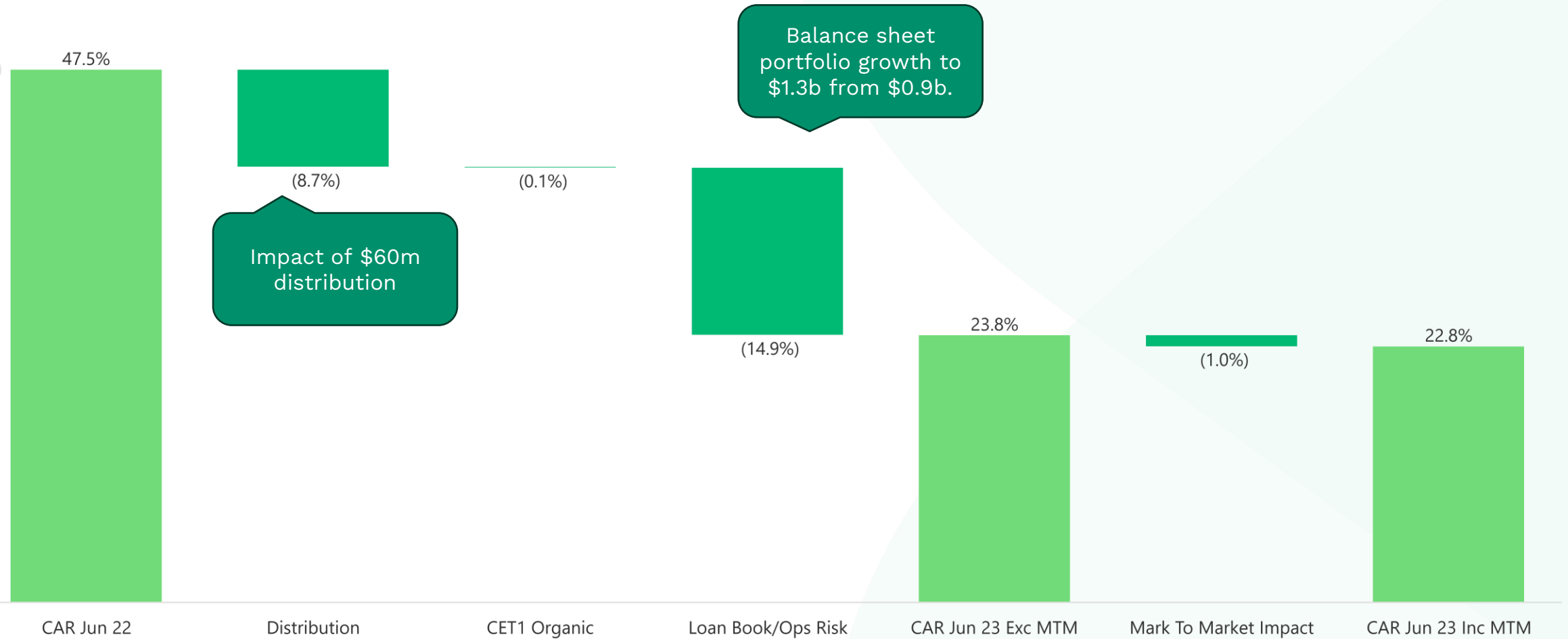


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Well Capitalised

Change in capital due to loan book growth and capital/dividend return

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MTM: Mark to Market

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Strategy Update and Outlook

Allan Savins

Chief Executive Officer

Strategic progress in FY23

Strong performance despite economic headwinds



GROWTH

TARGET: Increase BNK's balance sheet loan book to over \$3bn

- Maintained strength in BNK's residential mortgage portfolio, with no write-offs in FY23.
- Grew Loan Book to \$1.3bn.
- Grew deposit book by 30% YoY to \$1.3b and secured record deposit inflows as a result of competitive product offerings.
- Deposit funding ratio of 88% ensures stability of funding.
- Grew mortgage broker accreditations by 18% to 10,145.
- Strengthened shareholder base by welcoming non-bank lender Firstmac as a substantial shareholder.



MARGIN

TARGET: Move into higher margin lending with 15%-20% in commercial property settlements in FY23.

- Extended our suite of higher margin banking products to include commercial secured loans and transaction accounts.
- Higher margin lending portfolio grew 15x to \$195m; well in excess of 15% - 20%.
- Used capital more efficiently to achieve higher total volumes and higher margin business targets.



PROFITABILITY

TARGET: Positive cash NPAT in FY24. ROE of >10% in the medium term. Increase NIM to >2%. Cost to Income ratio of <60%.

- Improved cash NPAT by 30% YoY
- Achieved Q4 cash profit ahead of original FY24 timeline.
- Grew Net Interest Income by 46.9% YoY to \$18.8m.
- NIM up 6.0 basis points to 1.32% in FY23 and June NIM of 1.57%.
- Exit Cost to Income ratio of 80%.
- Distributed proceeds of \$60m Finsure sale to shareholders through a \$20m capital return and a fully franked \$0.34/share special dividend.

GOALS ACHIEVED IN FY23

Helping Enterprising Australians

Strategic focus for FY24

Steady, confident growth into the SME space



GROWTH

TARGET: Increase BNK's balance sheet loan book to over \$3bn over the medium term

- Maintain the strong residential portfolio as the foundation for growth.
- Expand our growing mortgage broker distribution base, with a focus on higher margin / commercial loan writers.
- Invest in the technology stack transformation to enhance capability, open new markets to support growth, and drive efficiencies for customers and staff alike.
- Support the continued maturity of the Goldman Sachs warehouse.

MARGIN

TARGET: Increase BNK's Net Interest Margin to 2% over the medium term

- Leverage BNK's relationships to continue expanding into the competitive deposit space.
- Sustainably grow our higher margin loan book and suite of products.
- Higher margin assets will continue to be an area of focus, with a goal to have 20% of our FY24 settlements in higher margin assets.
- Improve our funding costs to assist in driving higher margins and sustained profitability.

PROFITABILITY

TARGET: Focus on achieving steady, sustainable growth with a Cost to Income ratio of <60% over the medium term

- Build on Q4 FY23 cash profit to deliver sustainable cash profit in FY24.
- Maintain discipline on expense growth to support investments.
- Strategically pursue opportunities for new deposit and asset classes, inorganic growth and white label partnerships.

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FY24 PLANNED INVESTMENTS

Summary & Outlook

Becoming a market leading SME bank

- ✓ Improve cost of funds to assist in delivering higher margins and sustained cash profitability
- ✓ Leverage existing relationships to increase market share in higher margin lending and deposit space
- ✓ Transform technology stack to drive efficiencies, open new markets, and simplify processes for clients and employees
- ✓ Improve shareholder mix and target value-driven shareholders
- ✓ Expand our mortgage broker distribution base, particularly in the commercial and specialist residential space
- ✓ Seek and execute on opportunities for new deposit classes, new asset classes, and inorganic growth

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Group Financial Snapshot



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	FY23	FY22
Bank Underlying NPAT (\$m)	(3.7)	(6.9)
Bank Cash NPAT* (\$m)	(1.5)	(2.1)
Group Statutory NPAT (\$m)	(3.9)	59.8^
Group EPS	(0.03)	0.51^
Group Net Income (\$m)	17.7	9.7
Operating Expenses (\$m)	21.6	18.6
Direct Net Interest Margin (Avg)	1.32%	1.26%
Capital Adequacy Ratio	22.84%	47.50%^
Total Lending Portfolio (\$m)	2,486.9	2,668.7#
Cost to Income Ratio	122%	192%
MLH (Spot)	21.3%	32.6%
Expected Credit Loss (ECL)	22 bps	21 bps

* Normalised for tax

^ Affected by capital distribution of Finsure sale proceeds

Includes BCHL legacy portfolio

Underlying to Statutory NPAT Reconciliation



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	FY23	FY22
Statutory Net (Loss)/Profit After Tax (\$'000s)	(3,935)	59,786
Revenue adjustments		
· Sale of equities	-	(319)
Expense adjustments		
· Restructuring and transition costs	-	4,833
· Share Based Payments	-	1,742
· APRA Infringement Penalty	248	-
Tax effect of adjustments	-	(745)
Disposal of Subsidiary (net of tax)	-	(72,178)
Underlying Net (Loss)/Profit after Tax (\$'000s) (Management-reported results)	(3,687)	(6,881)

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Balance Sheet



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Group (\$m)	FY23	FY22	\$ Var.	% Var.
Assets				
Cash & Equivalents	92.6	140.0	(47.5)	(33.9%)
NPV Asset	16.8	21.0	(4.3)	(20.3%)
Loans & Advances	1,357.5	990.1	367.5	37.1%
Other Assets	212.9	290.7	(77.7)	(26.7%)
Total Assets	1,679.8	1,441.8	238.0	16.5%
Liabilities				
Deposits	1,252.3	964.6	287.7	29.8%
Other Liabilities	299.3	286.8	12.5	4.4%
Total Liabilities	1,551.6	1,251.4	300.2	24.0%
Equity				
Contributed Equity	100.3	118.9	(18.6)	(15.6%)
General & Other Reserves	1.9	1.6	0.3	16.5%
Retained Earnings	26.0	69.8	(43.8)	(62.8%)
Total Equity	128.2	190.4	(62.2)	(32.7%)

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