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# INVESTOR PRESENTATION

H1 FY24 Financial Results

28 February 2024

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## Agenda



### H1 FY24 Results Overview

Allan Savins Chief Executive Officer

**H1 FY24 Financial Results** Stephen Kinsella Group CFO

**Strategy update and outlook** Allan Savins Chief Executive Officer

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## H1 FY24 Results Overview

Allan Savins Chief Executive Officer

### H1 FY24 Results Overview

**\$(1.8)m** Group Statutory NPAT Up \$0.87m 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

\$1.5bn

Up 30.9% on 1H'23

Total Deposit Book

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

**\$9.9m** Operating Expenses Down \$1.5m on 1H'23 **1.01%** Direct Net Interest Margin (NIM) Down (0.32)% on 1H'23

\$126.1m Group Net Asset

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

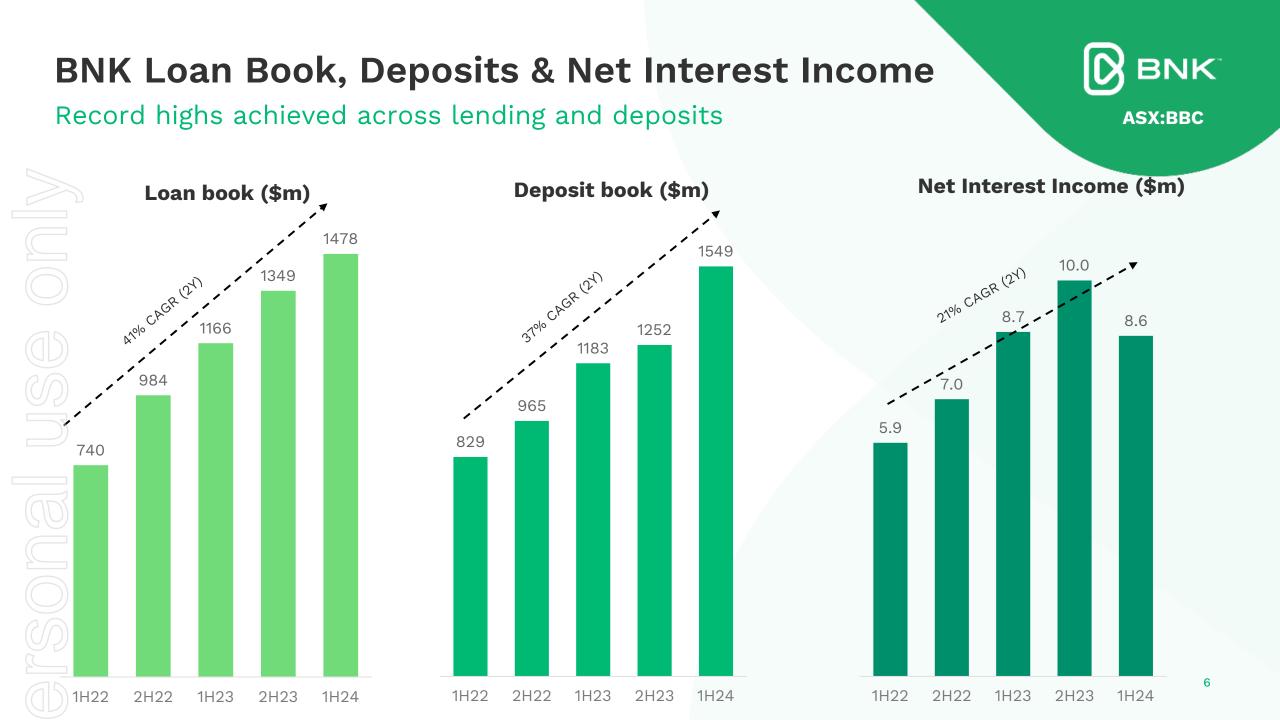
#### Financial highlights

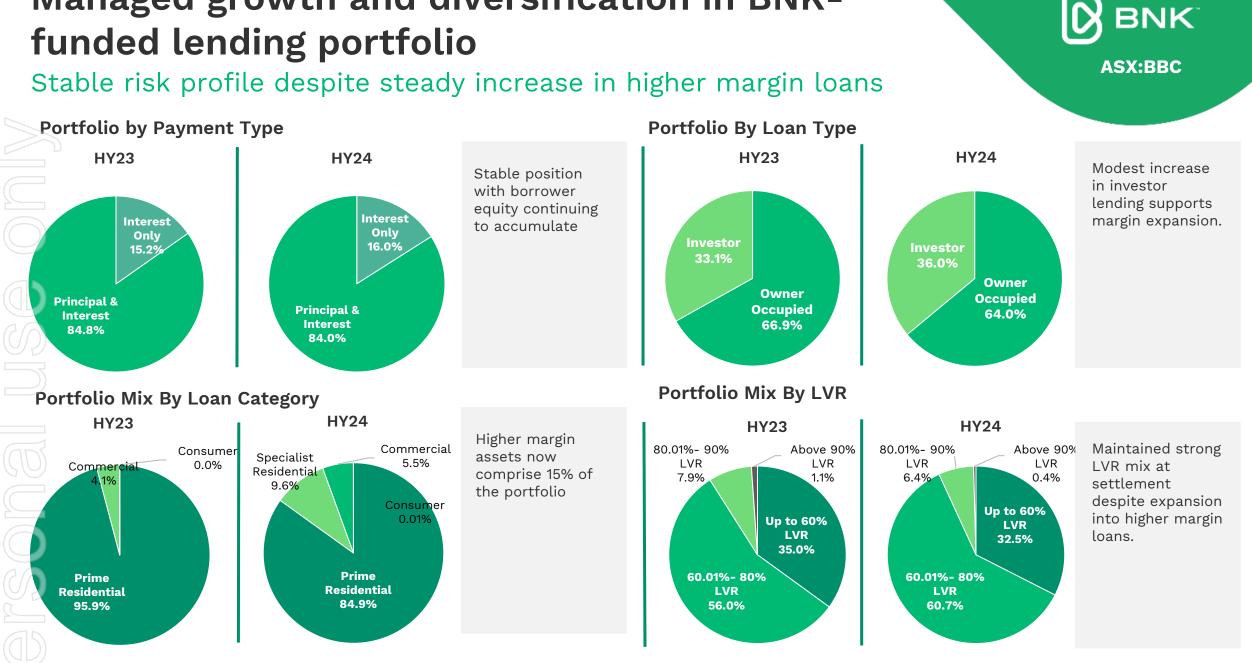
- Cash NPAT position improved by \$0.2m on 1H23
- NII of \$8.6m, marginal decrease of 1.1% pcp
- Focus on cost discipline resulted in a \$1.5m (13%) decrease in operating expenses on 1H23
- Competition for Loans and Deposits has reduced Direct NIM to 1.01%, down 32bps to pcp
- Record high balance sheet 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 highermargin commercial business

\*Normalised for tax





# Managed growth and diversification in BNK-

## **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**

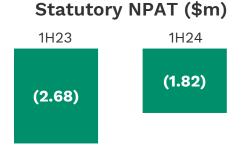
Improvements in operating performance, Statutory NPAT and Cash NPAT



	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%

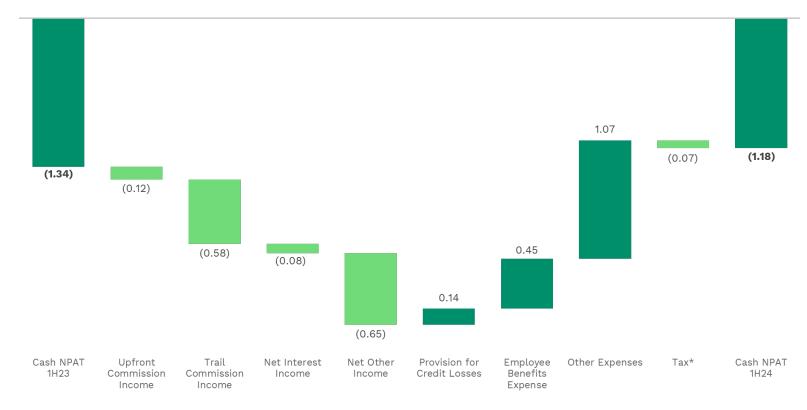
# Performance

# Steady improvement in Statutory and Cash NPAT





### Cash NPAT bridge\* (\$m)



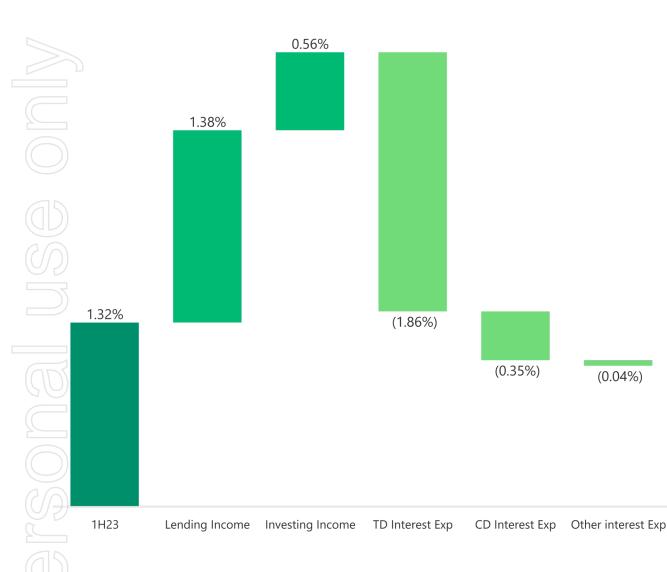
\* Cash NPAT presented is tax normalised assuming effective tax rate c. 30%

## **Direct Net Interest Margin**

Ongoing margin pressure, reflective of wider industry challenges

(0.35%)

(0.04%)



- Decline in NIM due to industry headwinds and challenging interest rate environment with strong competition across both loans and deposits.
- Opportunities to improve NIM:

1.01%

1H24

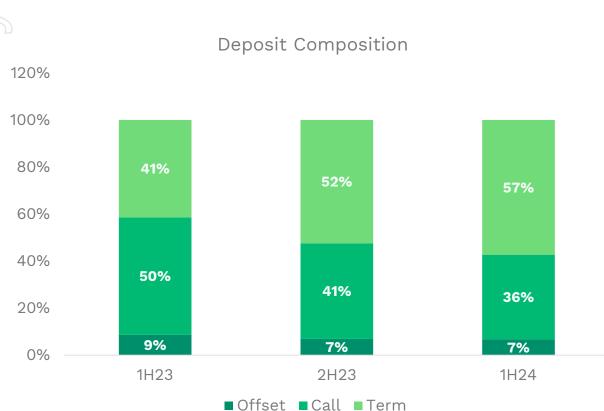
- Fixed rate maturities and re-Ο pricing.
- Continued expansion into higher Ο margin SME market.
- Heightened focus on deposit pricing Ο and management of investment returns on liquid assets.

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## **Competition for Deposits**

### Customers switching to high yielding Term Deposits



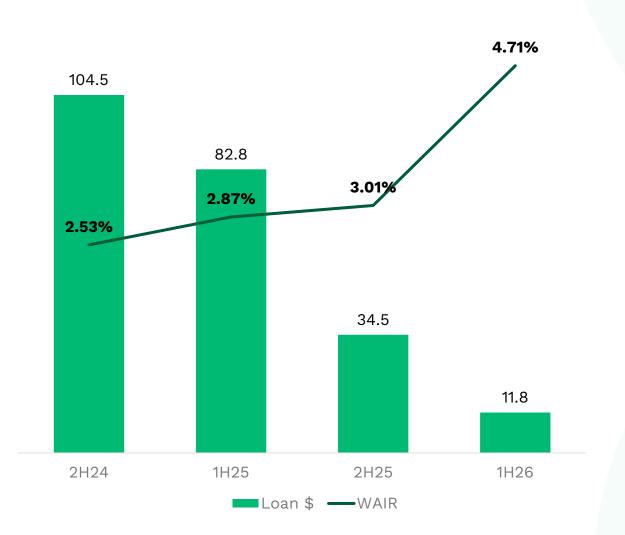


- Funding stability and attractive rates for Term Deposits has led to unfavourable deposit mix outcomes and resulted in NIM compression.
- Current market Term Deposit yields are below recent highs but still represent elevated costs with prevailing competition.

## **Fixed Rate Home Loans**

Fixed Rate maturities will provide potential for margin uplift







- 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**

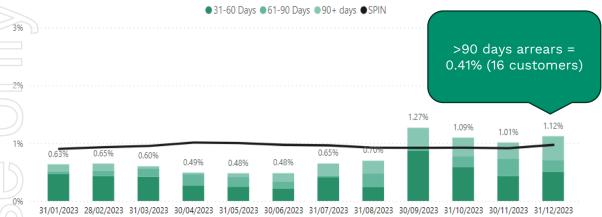
### Portfolio remains resilient despite increase in arrears



#### Prime Portfolio Delinguency Rate vs Prime SPIN

22bps

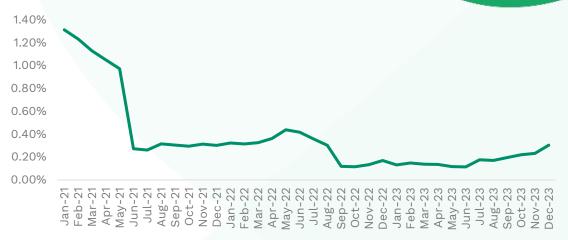
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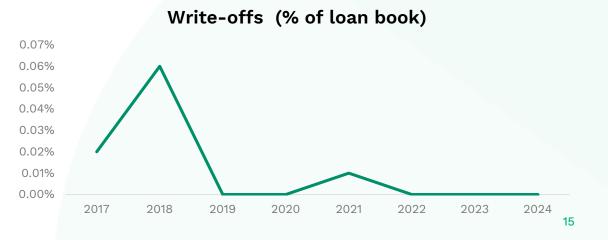


ECL Changes Jun-23 to Dec-23 (\$ 000's)



#### Portfolio Hardship Rate (% ofcustomers)





## **Strategy Update and Outlook** Allan Savins Chief Executive Officer

# **Strategic focus for H2 FY24**

### Increased focus on managing costs to improve profitability



#### **Helping Enterprising Australians**

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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.

#### **Helping Enterprising Australians**

Appendix

## **Group Financial Key Outcomes**



	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