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ASX:BBC

# INVESTOR PRESENTATION

## 1H25 Financial Results

26 February 2025



**Better Choice**  
*Make a Better Choice*

# Agenda



## **1H25 Results Overview**

Allan Savins  
Chief Executive Officer



## **1H25 Financial Results**

Steve Kinsella  
Group CFO



## **Strategy update and outlook**

Allan Savins  
Chief Executive Officer



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# 1H25 Results Overview

Allan Savins

Chief Executive Officer


"BNK's strategic shift towards higher-margin lending is delivering results. The focus on selective, capital-efficient growth is driving stronger returns, reflected in increased net interest income, improved margins, and higher fee income. While lending settlements have declined in line with this strategy, the quality and profitability of the portfolio continue to strengthen. With a solid capital position, BNK is well-placed to sustain its strategic direction and long-term profitability."




**Allan Savins**  
**Chief Executive Officer**

# 1H25 Results Overview

Improved financial results as a result of balance sheet repositioning

 **\$0.3m**

Statutory NPAT up  
\$2.1m on 1H24

 **\$1.8m**

Underlying NPAT\*  
up \$3.0m on 1H24

**\$11.1m**

Net Interest Income  
up 29% on 1H24

**\$12.8m**

Total Income up 58%  
on 1H24

**\$11.4m**

Underlying Operating  
Expenses up 11% on  
1H24

**1.39%**

1H25 NIM up  
47bps on 1H24

**\$1,552m**

Group Assets down  
21% on 1H24

**26.98%**

Capital Adequacy Ratio  
up from 19.85% 1H24

\*Normalised for tax

# 1H25 Results Overview

## Strategic highlights show profit growth momentum

- Growth trajectory is shifting: Underlying NPAT of \$1.8m in 1H25 has increased by \$3.0m from 1H24, while NII increased 29% on 1H24.
- 1H25 NIM improved by 19 bps from 2H24 to 1.39%.
- 1H25 Other Income has increased by \$2.6m (187%) from 1H24 primarily due to the fee income from the Robusta transaction (\$1.3m) and an increase in Goldman Sachs off balance sheet volumes.
- Lending settlements dropped 29% during 1H25 compared to 1H24. This is in line with the strategic direction of BNK to focus on selective high margin lending business.
- Higher margin lending portfolio now represents close to 22% of the total portfolio.
- Phase 2 of the technology transformation remains underway, with key foundations being developed to support continued progress throughout 2025.
- No immediate capital needs as Capital Adequacy Ratio of 26.98% provides capacity to pursue strategic direction.

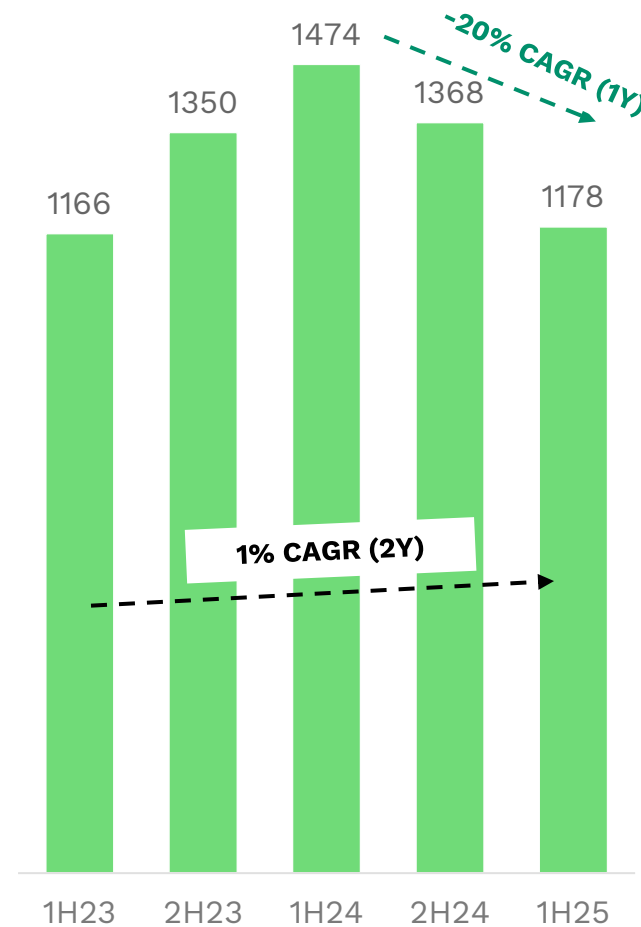
# BNK Loan Book, Deposits & Net Interest Income

Active Asset and Liability Management leading to higher Net Interest outcomes

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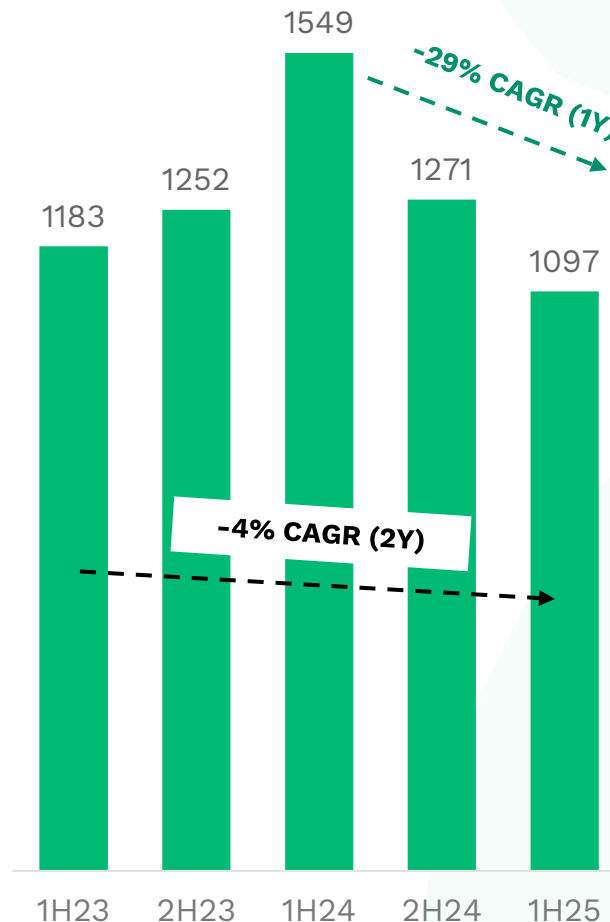
## Loan book (\$m)

Loan Book reduction in 1H25 as composition of the loan book changes



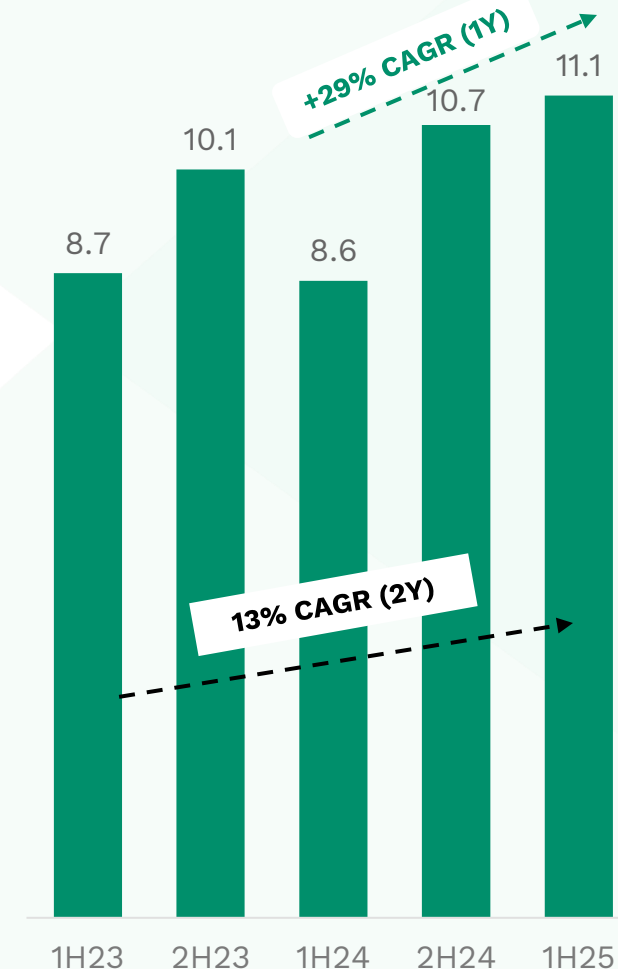
## Deposit book (\$m)

Deposit Book reduction during 1H25



## Net Interest Income (\$m)

Continued upward trend in NII

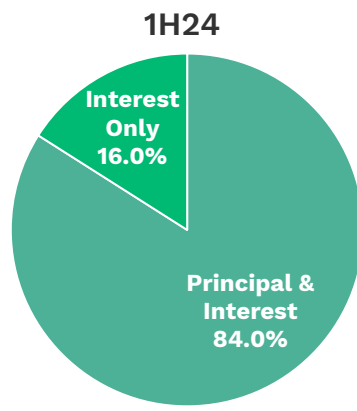
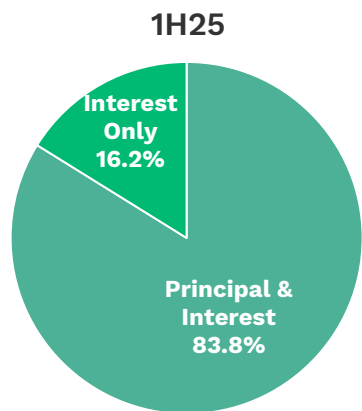




# Risk-managed growth and diversification in the BNK-funded lending portfolio

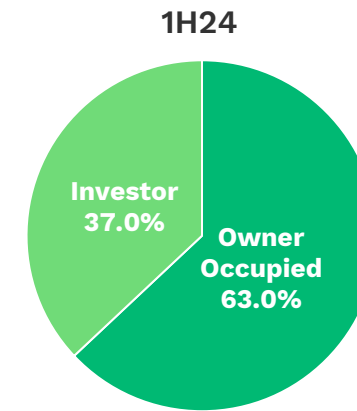
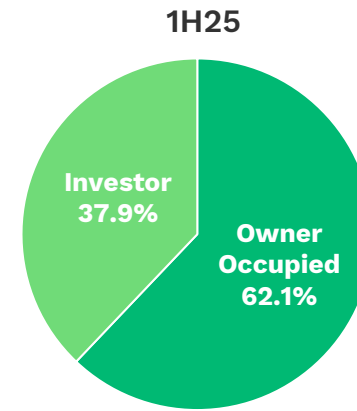
Stable risk profile despite increase in higher margin loans

## On Balance Sheet Loans



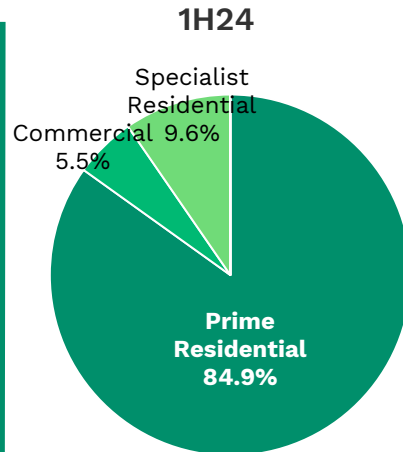
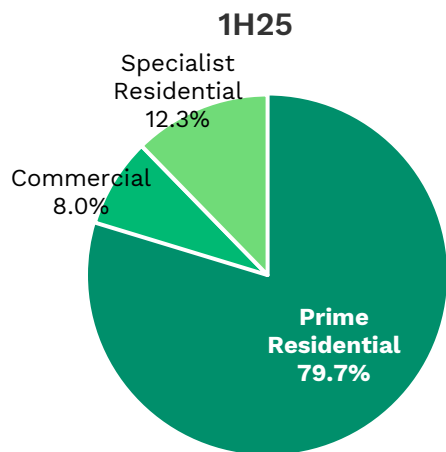
Stable position with borrower equity continuing to accumulate.

## Residential Portfolio By Loan Type



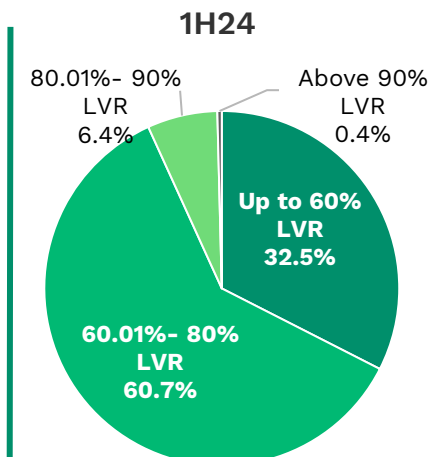
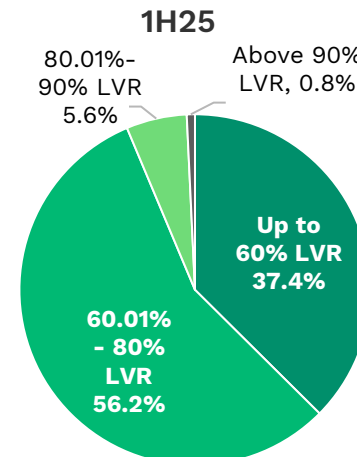
Stable split between Investor and Owner Occupied.

## Portfolio Mix By Loan Category



Growth in higher margin residential loans and in the Commercial book.

## Portfolio Mix By LVR



Shift towards lower LVR mix at settlement.

# Strong Cornerstone Portfolio

There has been continued focus on changing the lending book composition in 1H25 with greater priority on higher margin lending.



## High quality customers

- Approx. 45% of loan book are ahead in their repayments at December 2024 compared to 42% at December 2023.
- 0.47% of the Residential loan book are in arrears over 90 days as at December 2024 compared to 0.57% at December 2023.
- 0.98% of the Commercial loan book are in arrears over 90 days as at December 2024 compared to 1.41% at December 2023.
- 1 Mortgagee in possession case, with no loss expected.
- Slight decrease in offset account balances from \$79m in June 2024 to \$77m in December 2024.



## Loan size increased

- Average loan size decreased slightly from \$391k in June 2024 to \$386k in December 2024, while maintaining a strong LVR mix.



## Majority of loans on variable rate

- Fixed Rate loans make up 4% of the BNK portfolio as at December 2024, this is down from 16% at December 2023.
- Beyond FY25 there will be negligible remaining balances in the Fixed Rate loan portfolio.
- No new Fixed Rate business being originated.

# 1H25 Financial Results

Steve Kinsella

Chief Financial Officer

# Solid portfolio performance in a competitive landscape

## Economic & Business Environment

- Interest rate reduction cycle has commenced – cautious outlook from RBA.
- Asset Competition remains elevated.
- Reduced funding costs with higher proportion of savings accounts and immediate pass through.

## BNK Portfolio

- Continued but cautious growth in the high margin lending portfolio.
- Reduction in Prime Residential book has continued to create capacity assisting overall portfolio margins.
- Retention of maturing fixed rate loans has been in line with management targets but remaining balance becoming smaller.
- Arrears decreased from 2H24 and is well within tolerance, with active monitoring for signs of stress with borrowers.
- Continued focus on expense management and cost discipline with initial investment spend on technology infrastructure improvements.
- Active management of liquidity and investments with improved returns.
- Capital Adequacy ratio capacity for future balance sheet growth.

# 1H25 Financial Results

Improvement in statutory and underlying NPAT driven by improved NIM and fee income.

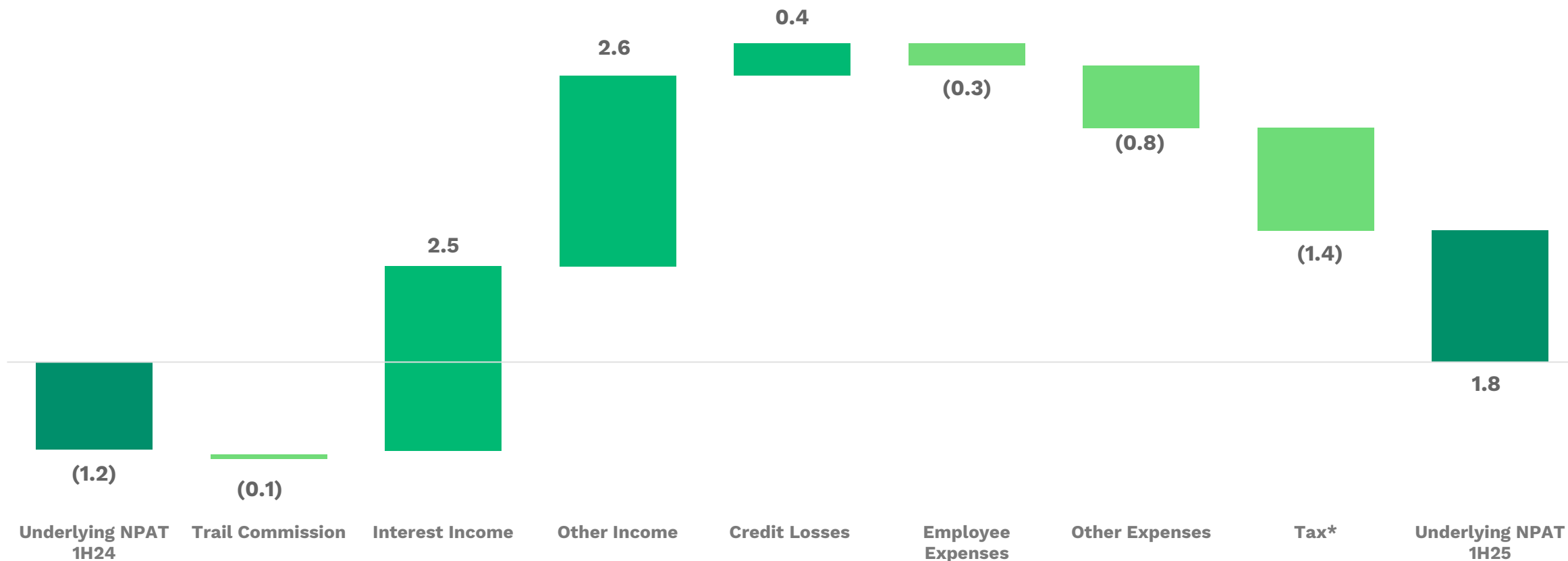
	Statutory (\$'000)	Statutory to 1H24%	Underlying (\$'000)	Underlying to 1H24 %*
Net Interest Income	11,050	↑ 29%	11,050	↑ 29%
Net Other Income	1,707	↑ 448%	2,960	↑ 624%
Expenses - Underlying	(11,397)	↑ 11%	(11,397)	↑ 11%
Expenses – Non –recurring	(845)		-	-
<b>Operating Performance</b>	<b>515</b>	<b>↑ 123%</b>	<b>2,613</b>	<b>↑ 295%</b>
Credit Loss Provision	85	↑ 124%	85	↑ 124%
Goodwill Impairment	-		-	-
<b>NPBT</b>	<b>600</b>	<b>↑ 123%</b>	<b>2,698</b>	<b>↑ 259%</b>
Tax	280	↑ 136%	912	↑ 279%
<b>NPAT</b>	<b>320</b>	<b>↑118%</b>	<b>1,786</b>	<b>↑ 252%</b>



# Performance – Underlying – 1H25

Improvement in NII and Other income, partly offset by increased operating expenses

1H25 v 1H24 (\$m)



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

# 1H25 Key Metrics

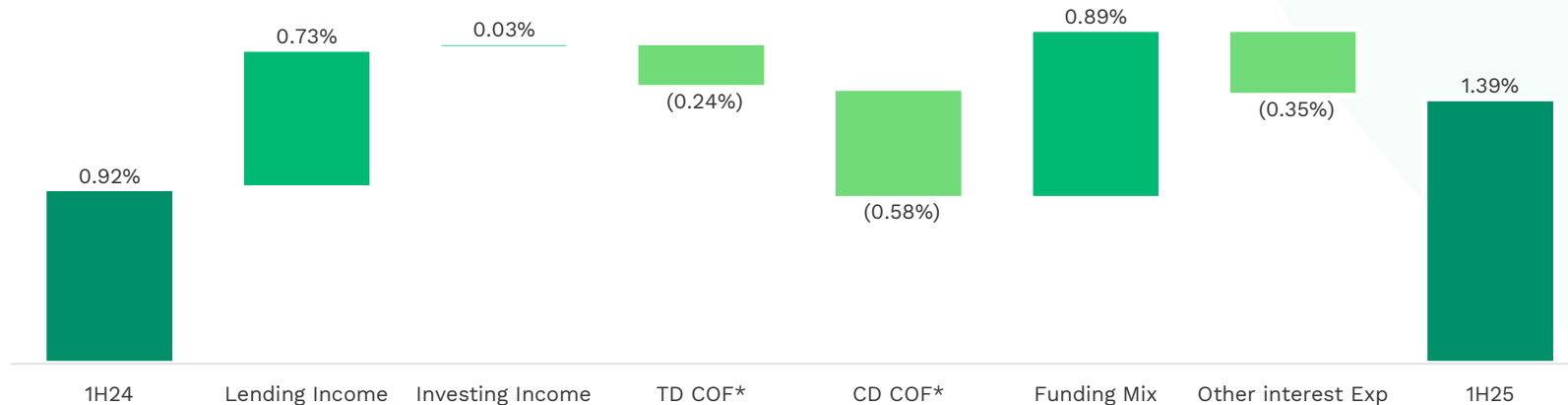
	1H25	1H24	Change on PCP*
Loans	\$1,178m	\$1,474m	↓ 20%
Deposits	\$1,097m	\$1,549m	↓ 29%
Net Interest Margin	139bps	92bps	↑ 47bps
Cost-Income Ratio (underlying)	81%	115%	↓ 34%
Capital Adequacy Ratio	26.98%	19.85%	↑ 713bps

\* Better/Worse

# Net Interest Margin

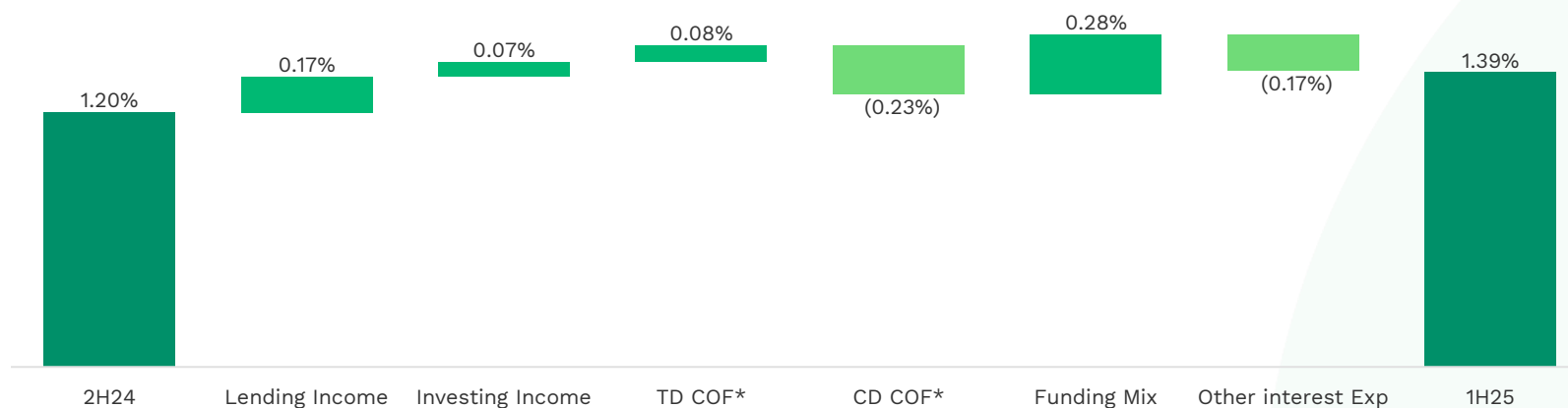
Increased NIM in 1H25 due to improving funding mix and yields from the loan book

### 1H25 v 1H24 NIM



- Increase in NIM in 1H25 to 1.39% from 1.20% 2H24.
- Improvement in 1H25 NIM from 2H24 driven by improved product funding mix, improving yields from the loan book, reduced TD pricing and improved investment returns, partially offset by increased CD pricing.

### 1H25 v 2H24 NIM

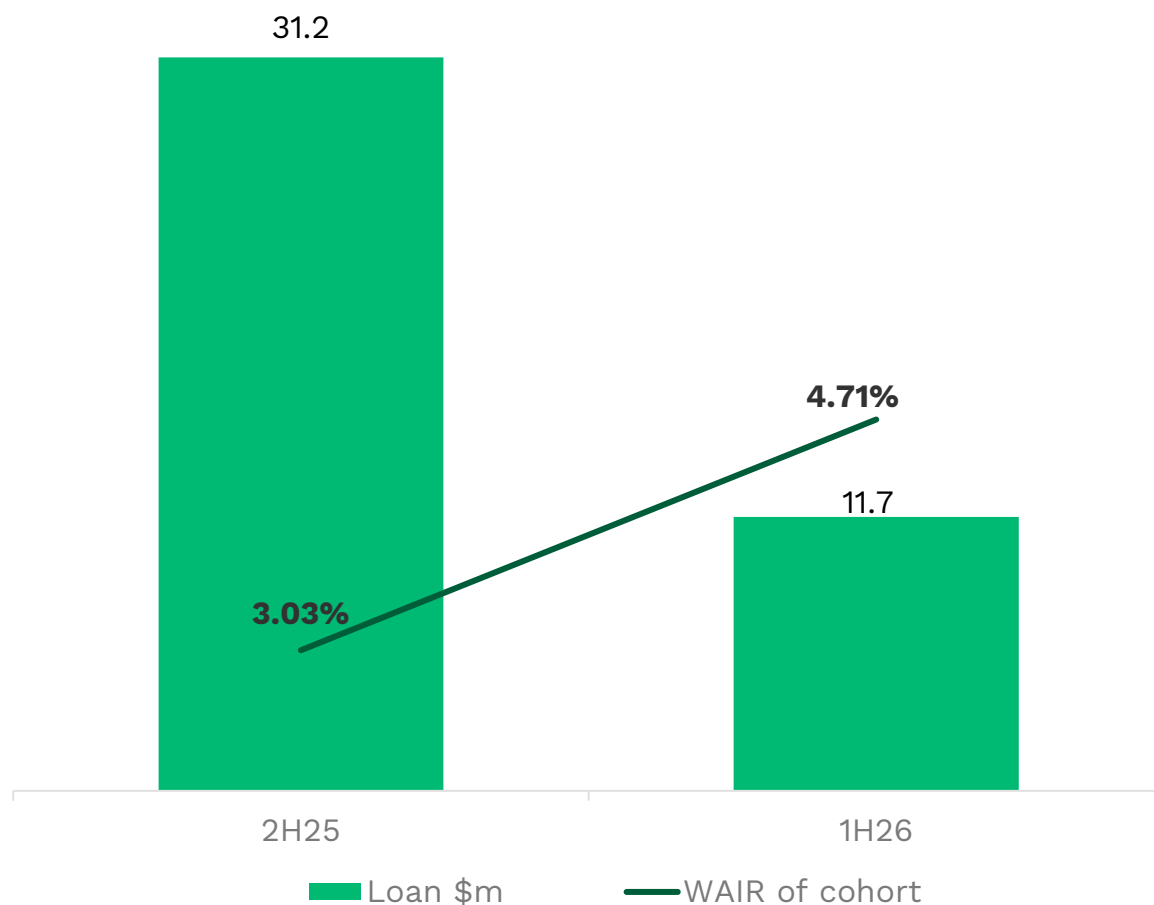


- Positive NIM trend supported by:
  - Continued expansion into Commercial and other higher margin lending products.
  - Continued focus on optimising deposit pricing and management of investment returns on liquid assets.

\* TD – Term Deposit; CD – Cash Deposit

# Fixed Rate Home Loans

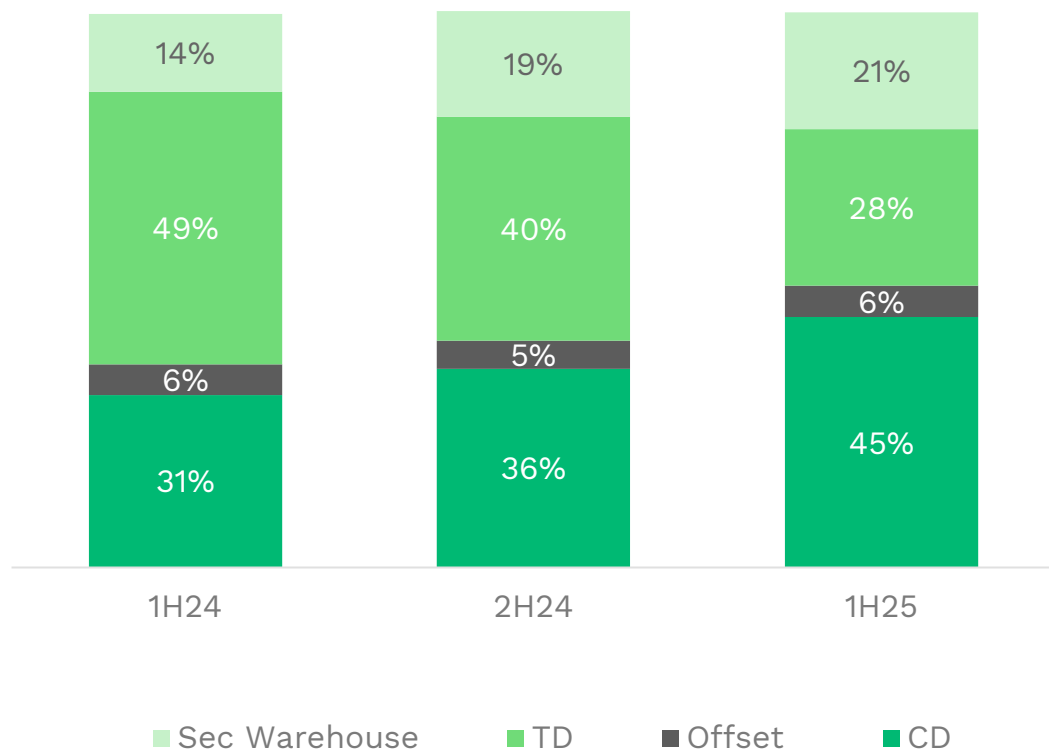
Minimal amount of Fixed Rate loan book remaining



- Approx 71% of the remaining Fixed Rate HL book due to rollover in 2H25.
- NIM upside for maturities in 2H25 given the existing Weighted Average Interest Rate (WAIR) but declining impact as book reduces.
- Retention rates consistent with management targets and expectations.

# Funding Mix

Funding mix evolving, lowering overall cost of funds and positioning for rate reduction cycle

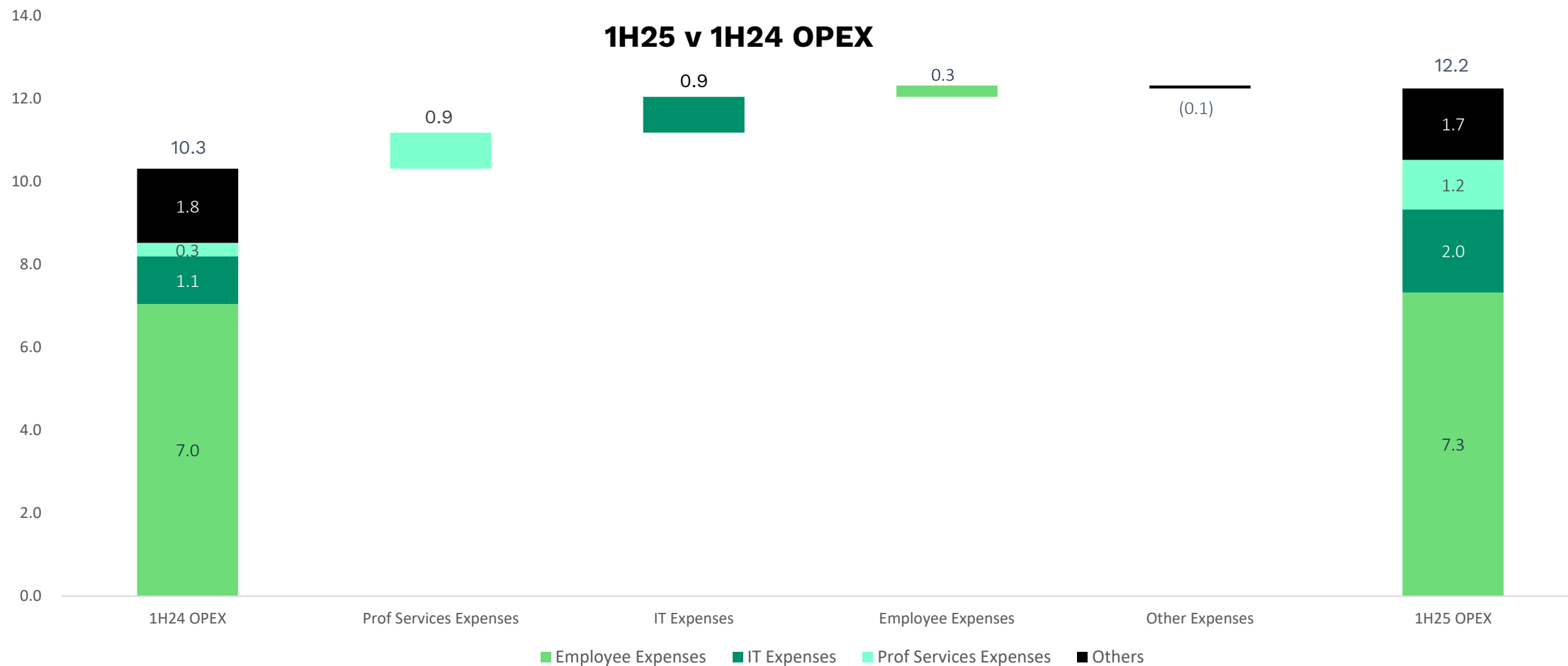


- Composition of the book has changed to reduce overall funding costs and positioning for rate reductions.
- Increase Digital flows during 1H25 with elevated trading volumes in the cryptocurrency markets.
- Continued selective pricing for Term Deposits.
- Continued focus on balancing Liquidity needs against NIM.



# Operating Expenses\*

Increased CBS spend driving IT and professional services expenses

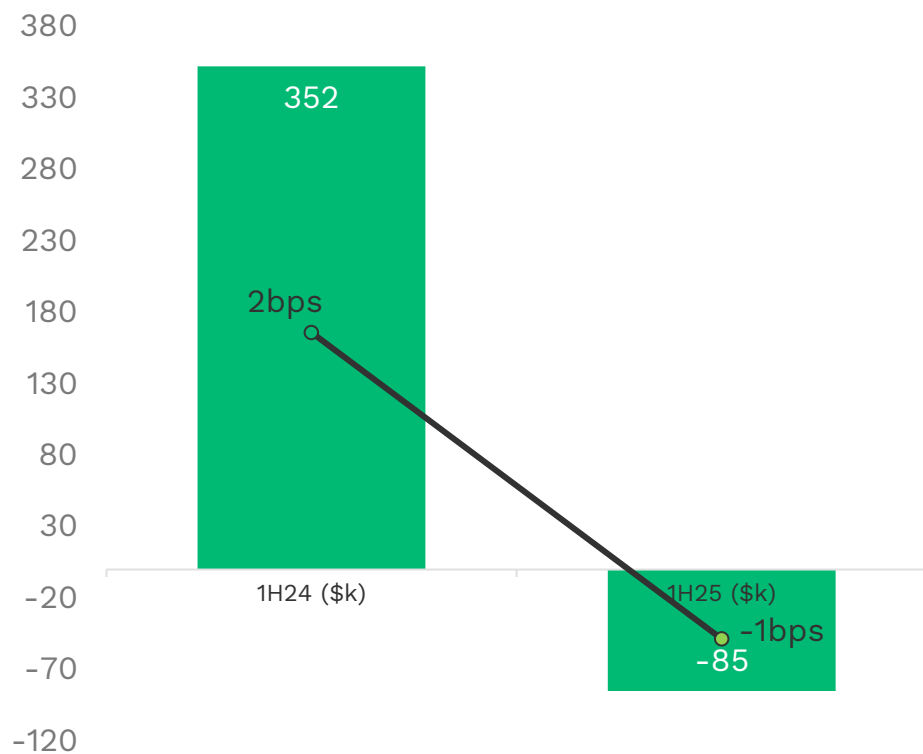


\* Statutory expenses include Core Banking project costs of \$845k in 1H25 and nil in 1H24.

# Credit Quality & Loss Protection

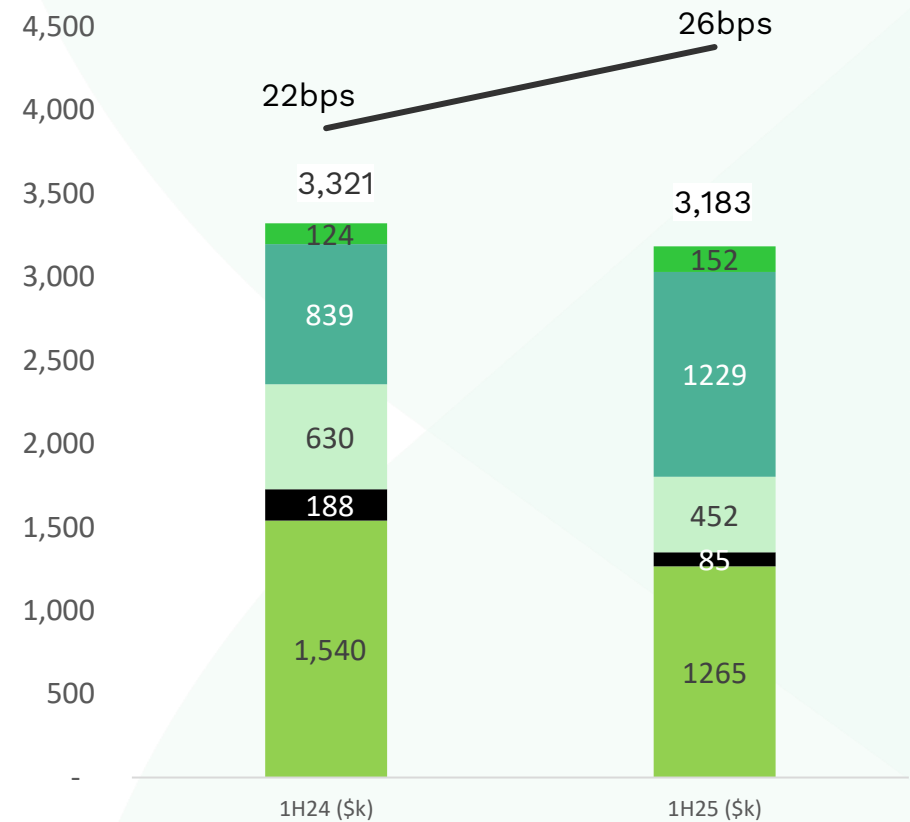
Adequate credit provisioning despite household economic pressures

### Credit Loss Charge / (Write Back)



■ Impairment Expense (\$k)  
 ●— Impairment Expense/Average Loan Book

### Credit Loss Provision

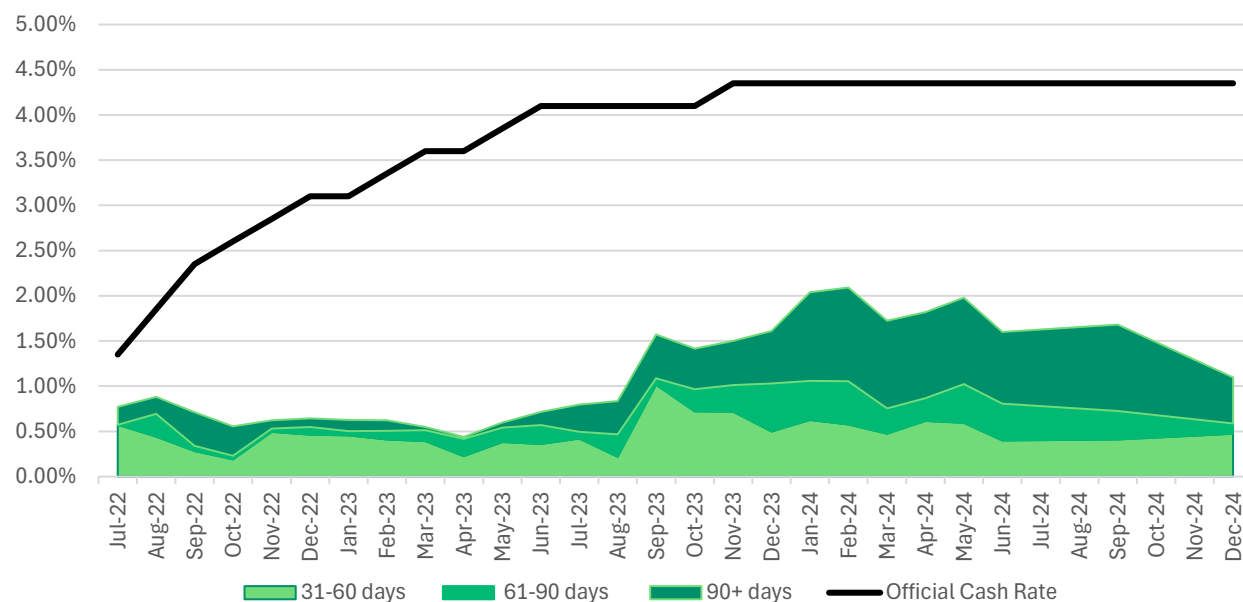


■ Stage 1 ■ Stage 2 ■ Stage 3  
 ■ Overlays ■ Specific — ECL (bps)

# Credit Quality & Arrears

Arrears impacted by higher interest rates but broadly stable

Total Loan Book Arrears breakdown



Residential book Arrears ageing (% of Residential loan book)

Date	(31-60 days)	(61-90 days)	(90+ days)	Total (31 days+)
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%
Sep-24	0.44%	0.31%	0.97%	1.72%
Dec-24	0.41%	0.12%	0.47%	1.00%

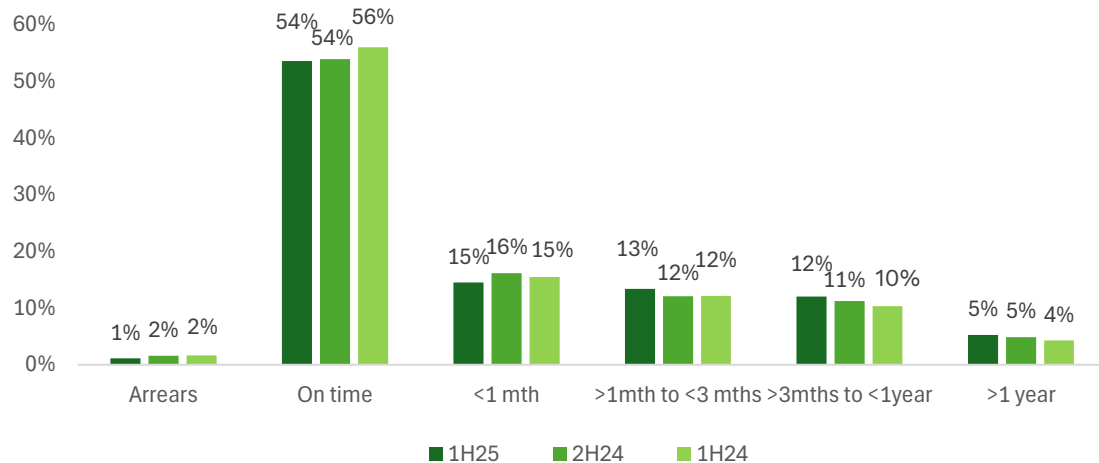
Commercial book Arrears ageing (% of Commercial loan book)

Date	(31-60 days)	(61-90 days)	(90+ days)	Total (31 days+)
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%
Sep-24	0.00%	0.31%	0.82%	1.13%
Dec-24	1.18%	0.00%	0.98%	2.17%

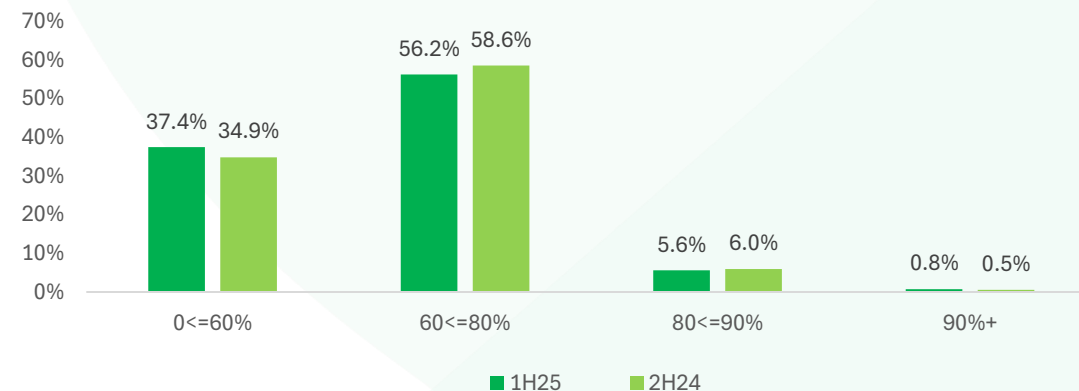
# Credit Quality & Portfolio Profile

Continued customer resilience and portfolio strength

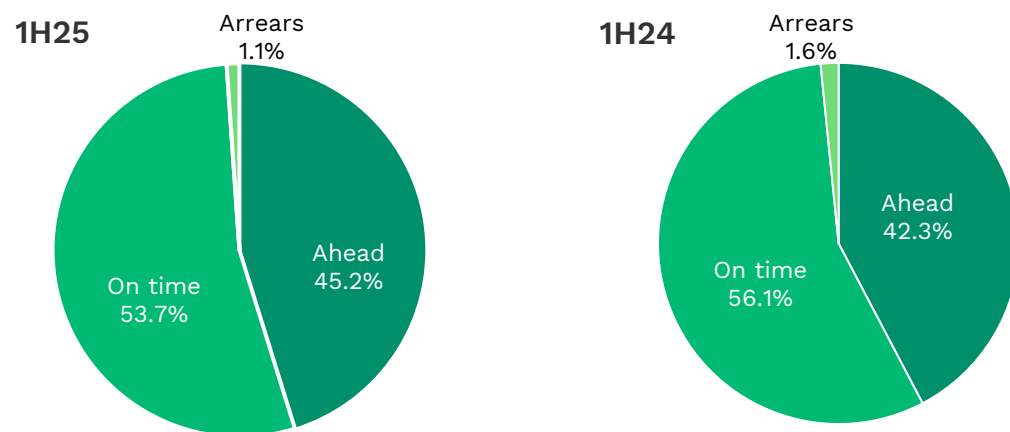
### Customer Repayment Profile



### Portfolio Loan to Value Ratios (LVR) % breakdown



### Total Loan Book Status



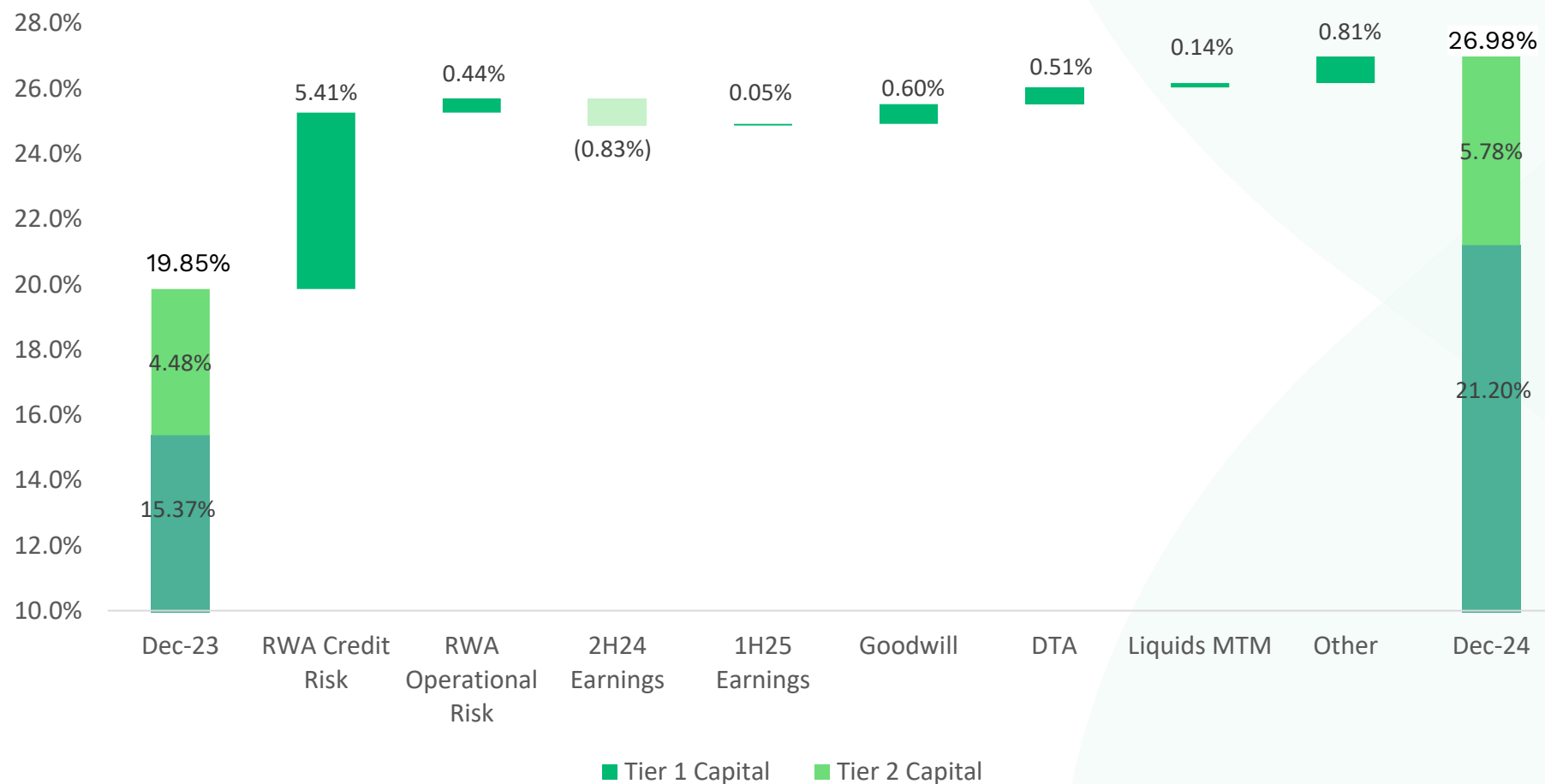
- Stability in repayment profiles reflecting resilience of customers
- The portfolio remains well positioned from an LVR perspective.

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

# Well Capitalised

Repositioning of the Balance sheet over the last 12 months has created future growth capacity

1H25 v 1H24 Capital Adequacy Ratio





# **Strategy Update and Outlook**

Allan Savins

Chief Executive Officer

# Strategic progress in 1H25

Portfolio transformation to sustainable profit continues



## GROWTH

**TARGET:** 30% concentration of higher-margin assets to attain optimal capital efficiency

- Achieving revenue growth through diversification.
- Higher margin assets now comprise ~22% of the portfolio.
- Risk-Weighted Asset optimisation and recycling of capital to fund loan growth.
- Customer Deposit to Total Loan ratio of 93% ensures stability of funding.
- Phase 2 technology transforming progressing, laying foundations for 2025.



## MARGIN

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

- 1H25 NIM up 47bps to 1.39% from 1H24.
- 1H25 NIM up 19bps from 2H24.
- Achieved through asset mix optimisation and cost-effective funding.



## PROFITABILITY

**TARGET:** Focus on achieving steady, sustainable growth, with a ROE >10% and Cost to Income ratio of <60% over the medium term

- Improved Underlying NPAT by 250% YoY.
- Achieved 1H25 Underlying NPAT of \$1.8m
- Grew Net Interest Income by 29% YoY.
- Underlying Operating costs increased 11% YoY, reflecting Positive Jaws
- 1H25 Cost to Income ratio improved to 81%, down 35% YoY.

GOALS ACHIEVED IN 1H25

Helping Enterprising Australians

# Strategic focus for 2H25

Clear vision, continued focused execution

2H25 PLANNED INVESTMENTS

GROWTH	MARGIN	PROFITABILITY
<p><b>TARGET:</b> 30% concentration of higher-margin assets to attain optimal capital efficiency</p>	<p><b>TARGET:</b> Increase BNK's Net Interest Margin to &gt;2% over the medium term</p>	<p><b>TARGET:</b> Focus on achieving steady, sustainable growth, with a ROE &gt;10% and Cost to Income ratio of &lt;60% over the medium term</p>
<ul style="list-style-type: none"> <li>• Revenue growth remains supported by an expanding diversified income base, despite expected fluctuations.</li> <li>• Monetise value from the low margin, low profit Residential loan book.</li> <li>• Phase 2 of the technology transformation is set to continue throughout 2025, focused on long term value and strategic alignment.</li> </ul>	<ul style="list-style-type: none"> <li>• Continued asset mix optimisation.</li> <li>• NIM performance will be driven by high-margin growth strategy execution.</li> <li>• Ongoing cost-effective funding through lower cost funding sources and/or wholesale markets.</li> </ul>	<ul style="list-style-type: none"> <li>• Build on 1H25 underlying profit, though progress may not be linear due to market competition.</li> <li>• Continued pursuit of high margin and / or high return of capital opportunities, inorganic growth and white label partnerships.</li> <li>• Maintain cost discipline and efficiency.</li> </ul>

# Summary & Outlook

Strengthening the foundation for sustainable SME growth

- ✓ Diversified income streams and strategic portfolio shifts support sustainable underlying profitable generation, with non-linear progress expected.
- ✓ Focused on asset mix optimisation, high-margin lending and cost-effective funding.
- ✓ Disciplined execution of high-return opportunities.
- ✓ Continuing to strengthen our competitive positioning and alignment with customer demand trends.
- ✓ Advancing technological transformation and maintaining cost discipline for long term value.
- ✓ Support the ongoing stability and maturity of the Goldman Sachs off balance sheet warehouse.





# Balance Sheet

Group (\$m)	1H25	1H24	\$ Var.	% Var.
<b>Assets</b>				
Cash & Equivalents	129.1	153.1	(24.1)	(15.7%)
NPV Asset	9.5	14.7	(5.2)	(35.4%)
Loans & Advances	1,185.0	1,483.4	(298.3)	(20.1%)
Other Assets	228.1	316.4	(88.3)	(27.9%)
<b>Total Assets</b>	<b>1,551.7</b>	<b>1,967.6</b>	<b>(415.9)</b>	<b>(21.1%)</b>
<b>Liabilities</b>				
Deposits	1,097.1	1,548.5	(451.4)	(29.2%)
Other Liabilities	333.5	293.0	40.5	13.8%
<b>Total Liabilities</b>	<b>1,430.6</b>	<b>1,841.5</b>	<b>(410.9)</b>	<b>(22.3%)</b>
<b>Equity</b>				
Contributed Equity	100.3	100.3	-	-
General & Other Reserves	1.3	1.6	(0.4)	(21.7%)
Retained Earnings	19.5	24.1	(4.7)	(19.3%)
<b>Total Equity</b>	<b>121.1</b>	<b>126.1</b>	<b>(5.0)</b>	<b>(4.0%)</b>