

ASX Release**29 August 2024****BNK BANKING CORPORATION REPORTS FY24 RESULTS****Improvement in underlying profit and key indicators for FY24**

BNK Banking Corporation Limited (ASX: **BBC**) (“**BNK**” or the “**Company**”), the bank for enterprising Australians today reports its financial results for the 12 months to 30 June 2024 (FY24).

HIGHLIGHTS

- Underlying NPAT of \$(0.9m) for FY24, an improvement of 40% on FY23
- Positive underlying NPAT of \$0.3m for 2H24, up \$1.5m on 1H24
- Net Interest Income of \$19.3m, up 3% on FY23
- Net Interest Margin for FY24 of 1.06%, down 9bps on FY23
- Net Interest Margin for 2H24 of 1.20%, up 28bps on 1H24
- Operating expenses of \$21.6m, down \$1.5m reflecting continued focus on cost discipline
- A non-cash impairment charge of \$3.6m was taken on the Better Choice Home Loans goodwill
- Loan book remained steady at \$1.37b, reflecting our focus on changing portfolio composition
- Deposit book remained steady at \$1.27b
- Customer Deposit to Total Loan Ratio of 93%, ensuring stability of funding
- Higher margin lending portfolio grew to \$257m, an increase of 32% on FY23
- Strong capital adequacy ratio of 23.4%, up from 22.8% in FY23 creating capacity for targeted growth
- Completed Phase 1 of technology transformation for higher-margin commercial business

Commenting on the results, BNK chief executive Allan Savins, said:

“During FY24, BNK continued its transformation to create solid foundations to achieve sustainable profitability. Given the intense competition in Australia’s residential mortgage industry, we have been focusing on higher margin and capital efficient assets, coupled with disciplined cost control.

“In 2H24, we delivered an underlying net profit of \$0.3m and significantly improved our underlying performance by 40% for the full year.

“We have again achieved our annual target of \$100 million of settlements in higher margin assets, bolstered by the acquisition of \$80m in high margin residential loans from Goldman Sachs in March 2024. Higher margin assets now represent close to 19% of our total portfolio.

“Despite an overall steady loan book, we achieved positive underlying NPAT, demonstrating that our emphasis on higher margin assets reduces the need for loan book expansion to attain sustainable profitability. Moving forward, our focus will continue to be on optimising risk-weighted assets and reallocating capital to support future targeted asset growth.

“In addition, we remain committed to disciplined cost management despite inflationary pressures, achieving a \$1.5m reduction in operating expenses for FY24 compared to FY23. We will continue to prioritise cost-to-income levels as we move into FY25.

“Net interest margin fell 9bps year on year to 1.06% due to the impact of heightened competition but improved during the second half of the year to 1.20%, showing a 28bps increase over the first half of FY24.

“BNK has determined that a non-cash goodwill impairment charge of \$3.6m is necessary. This adjustment reflects the Better Choice Home Loans goodwill and a more appropriate valuation due to the change in business model to high margin asset origination. While this write-down impacts our reported earnings, it does not affect our regulatory capital, cash flow or underlying operational performance.

The banking sector continues to experience challenging market conditions, with increased interest rates adding pressure on margins and creating fierce competition across all asset classes.

“Despite these pressures, our customer base remains resilient with approximately forty four percent of our loan customers remaining ahead in their repayments. We had anticipated a rise in arrears during the financial year, however, are pleased to report this remains a very small number in real terms and we are well provisioned in this regard.

“Funding markets also remain competitive with attractive term deposit rates for customers available in market as customers continue to chase yield in the context of the sector repaying its low cost TFF facilities.

“Despite an underlying loss for the full year, BNK has delivered encouraging results, with positive trends continuing to emerge, amidst a challenging economic environment.”

OUTLOOK

“Looking ahead, we remain confident in the long-term potential of our business and continue to focus on driving sustainable profitability, growth and value for our shareholders.

“We remain strongly capitalised, well above APRA’s requirements and our CET1 ratios are above industry averages, which gives us the financial flexibility to reallocate capital to pursue opportunities to continue to grow our high margin business.

“The expansion of the Goldman Sachs off-balance sheet warehouse remains an important strategy for boosting the bank’s income from sources other than interest.

“Technology remains an important enabler and we will continue to invest in technological upgrades to improve our value proposition and efficiencies for both our customers and staff.

“We will also persist in exploring opportunities in new deposit and asset classes, alongside considering inorganic growth and distribution partnerships where appropriate.”

INVESTOR PRESENTATION

CEO Allan Savins and CFO Stephen Kinsella will host a conference call commencing at 11:00 am (AEST) / 9:00 am (AWST) on Thursday, 29 August, giving a presentation on the results followed by a question and answer session.

Details and audio of the conference call can be accessed via the link:

<https://webcast.openbriefing.com/bbc-fyr-2024/>

In order to pre-register for the conference call, please follow the link above.

This announcement has been authorised for release by the BNK Board.

ENDS

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About BNK

BNK Banking Corporation Limited (ASX: BBC) was founded in 1982 as Goldfields Credit Union. Now, as a branchless bank, BNK offers customers a diverse range of financial products whilst providing a 'one-stop' shop for brokers. BNK operates two brands: Goldfields Money and Better Choice. BNK has leveraged its deeply experienced management team, strong distribution network and award-winning brands to deliver a solid performance over the last two years. Find out more: <https://bnk.com.au/>.

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