

ASX Release**23 February 2024****BNK BANKING CORPORATION REPORTS 1H24 RESULTS**

BNK Banking Corporation Limited (ASX:**BBC**) ("**BNK**" or the "**Company**"), the brokers' bank with over 40 years of experience, today reports its financial results for the first half of 2024 (1H24).

HIGHLIGHTS

- Cash NPAT of \$(1.2)m, up \$0.2m pcg
- Net interest income of \$8.6m, down 1.1% pcg
- Direct Net interest margin of 1.01%, down (0.31%) pcg due to competition for loans and deposits
- Operating expenses of \$9.9m, down \$1.5m (13%) pcg, driven by continued focus on cost discipline
- Loan book at a record high of \$1.5bn, up 26.8% pcg
- Deposit book at a record high of \$1.5bn, up 30.9% pcg
- Deposit to Direct Loan Ratio of 127%
- Higher margin lending grew to \$175m, an increase of 400% pcg
- Capital adequacy ratio of 19.9%
- Completed Phase 1 of technology transformation for higher-margin commercial business

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

"BNK has achieved solid growth in our higher-margin business loan portfolio, hitting record highs in both our loan and deposit books despite challenging market conditions for the banking sector.

"Our net cash profit for the first half has improved due to the growth in our deposit and loan books and our disciplined approach to cost reduction.

"The first stage of our technology transformation has also been successfully concluded, increasing efficiencies and streamlining internal processes.

However, it is important to acknowledge that, like our competitors, BNK is not immune to the pressures on our business from increased interest rates, putting pressure on our margins amid fierce competition for loan and deposit customers."

COST REDUCTION PROGRAM

Given the challenging trading environment, taking a prudent approach to managing expenses remains a paramount focus for BNK.

Following a comprehensive strategic assessment of its operations, the company is set to implement a cost reduction program. This initiative aims to achieve approximately \$1.6 million in annual savings through a structural realignment, including the elimination of vacant positions and a small number of redundancies to right size our cost base.

“We understand that this is a difficult time for our employees. It is our priority to treat each individual with the utmost respect and care throughout this process,” Mr Savins said.

“In line with our disciplined cost management approach, we are actively seeking additional savings within the business. This effort aims to support future investments and assist in the ongoing earnings improvement of the company”.

OUTLOOK

“BNK anticipates ongoing competition in the loan and deposit markets throughout the remainder of 2024, particularly as customers transition from fixed rate home loans to variable rates but is expected to provide a net interest margin uplift opportunity to future earnings.

“We are pleased to observe the resilience of our customer base amid the challenges of high interest rates and inflation, with approximately half of our loan customers remaining ahead in their repayments.

“We anticipate a rise in arrears from our current low base, we are well provisioned and expect to be able to navigate the challenging economic landscape.

“Simultaneously, we hold confidence in achieving our FY24 annual target, aiming for 20 per cent of total settlements in higher-margin assets.

Strategically, we will 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 (AEDT) / 8:00 am (AWST) on Wednesday, 28 February, 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-hyr-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/>