



# BNK AGM PRESENTATION

BNK BANKING CORPORATION LTD

November 2019

# Disclaimer

This presentation contains certain forward looking statements with respect to the financial condition, results of operations, business plans and objectives of management. All such forward-looking statements involve known and unknown risks, significant uncertainties, assumptions, contingencies and other factors many of which are outside the control of BNK Banking Corporation Limited (“BNK”), which may cause the results or actual performance to be materially different from the future results or performance expressed or implied by such forward-looking statements. Such forward-looking statements speak only as of the date of presentation.

No presentation or warranty is or will be made by any legal or natural persons in relation to the accuracy or completeness of all or part of this document, or any constituent or associated presentation, information or material (collectively, the Information), or the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects or returns contained in, or implied by, the information or any part of it. The information includes information derived from third party sources that has not been independently verified.

To the full extent permitted by law, BNK disclaims any obligation or undertaking to release any updates or revisions to the information to reflect any change in expectations or assumptions.

Nothing contained in the information constitutes investment, legal, tax or other advice. You should make your own assessment and take independent professional advice in relation to the information and any action on the basis of the information.

Financial data: All dollar values are in Australian dollars (A\$) unless otherwise stated.

Non statutory financial disclosures are not audited.

Disclaimer: To the maximum extent permitted by law, BNK, its officers, employees, agents and advisers disclaim all liability that may otherwise arise as a result of the use of, or reliance on, information in this document for any purpose.

# About Us

## BNK GROUP SNAPSHOT

BNK Banking Corporation Ltd is listed on the Australian Securities Exchange (ASX:BBC)

The group now really consist of two businesses operating under four brands; BNK, Goldfields Money, Better Choice in the banking and wholesale business, and Finsure in the aggregation business. There are a number of other sub brands used in the aggregation business

Goldfields Money was largely rebranded to BNK Bank in March 2019, but is still the brand we use in our branches

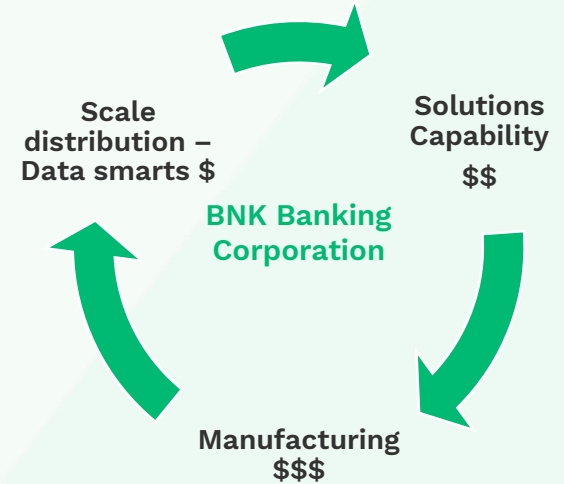
BNK now has a unique opportunity to drive superior value by leveraging the strengths and complementary capabilities of each business and building out the capability of the bank



# Optimising BNK Capabilities

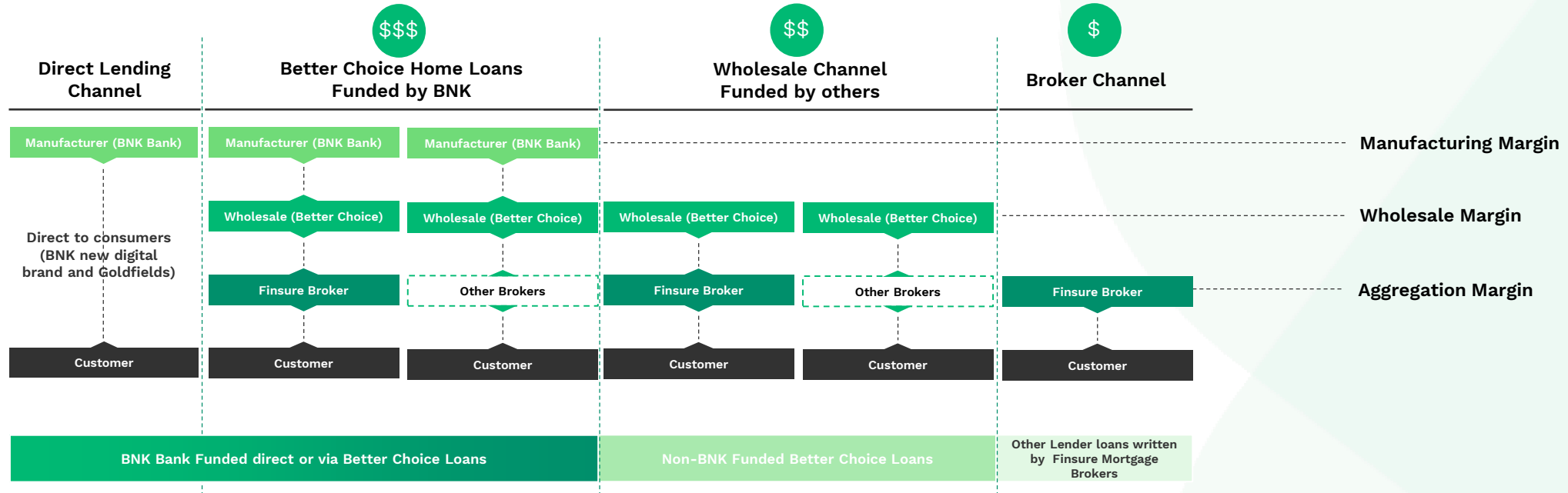
BNK leverages a combination of mortgage models to optimise volume and margin simultaneously

Three models working together, creating something we believe is “*greater than the sum of our parts*”



# BNK has a multi-Channel Sales Distribution Model

BRINGING IT ALL TOGETHER



Unlike most banks, BNK are not solely reliant on being the product manufacturer of the mortgage in order to obtain revenue from a home loan transaction, nor do we even need to be the wholesale mortgage manager of the loan.

We sell other banks products. Our diversified revenue model means that BNK still profits from a loan if a Finsure broker sells another bank's home loan.

Thus the business has the potential to make either manufacturing margin, wholesale margin and/or aggregation margin off any home loan transaction in Australia. In some instances BNK will make revenue at all three stages of the transaction.

## Divisional Snapshot

### BNK (Banking)



APRA-regulated authorised deposit-taking institution  
BNK Bank plans to launch a direct to consumer brand later this year  
Also includes 2 Goldfields branded branches in Western Australia  
\$244.7m of on balance sheet loans as at 30 Sep 2019

### BETTER CHOICE (Wholesale)



Approx. 5,000 accredited brokers (3,500 non-Finsure accredited brokers)  
Approx. \$600m worth of loans settled in FY19  
Total loan book in excess of \$2.335b as at 30 Sep 2019  
9 different wholesale funding lines including BNK, Adelaide Bank and Pepper

### FINSURE (Aggregation)



1,640 mortgage brokers  
Averaging over \$1b in home loan settlements per month  
Total loan book in excess of \$39.84b as at 30 Sep 2019

# Our Vision – BNK Banking Group

BNK WILL COMBINE FLEXIBILITY AND SCALE TO CREATE  
AUSTRALIA'S MOST COMMERCIALY AGILE BANKING GROUP

BNK is the bank where real people work together to leverage our strengths so that we can help more customers achieve their financial goals.

We retain the flexibility to respond at speed to the changing needs of customers and the changing shape of the marketplace.



# Our Values and Our People Make the Difference

REAL PEOPLE WORKING TOGETHER TO LEVERAGE OUR STRENGTHS TO HELP MORE CUSTOMERS ACHIEVE THEIR FINANCIAL GOALS

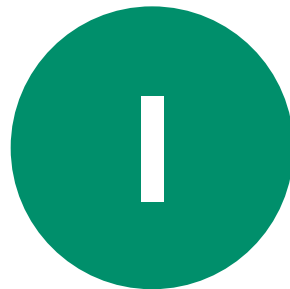
## Work Hard

Successful people have a special trait, they work hard, they don't give up, they learn from failure and then they succeed on purpose



## Innovation

Think big, remain flexible, stay ahead of the curve and get the job done



## Trust

Protect the trust we build with our customers and each other. It is hard to build and easy to lose



## Humility

Let others shine by helping them achieve more than they thought was possible



## Unity

We are in this together, even when the going gets tough



# The BNK operating model

## TAKING ADVANTAGE OF GROUP EFFICIENCIES

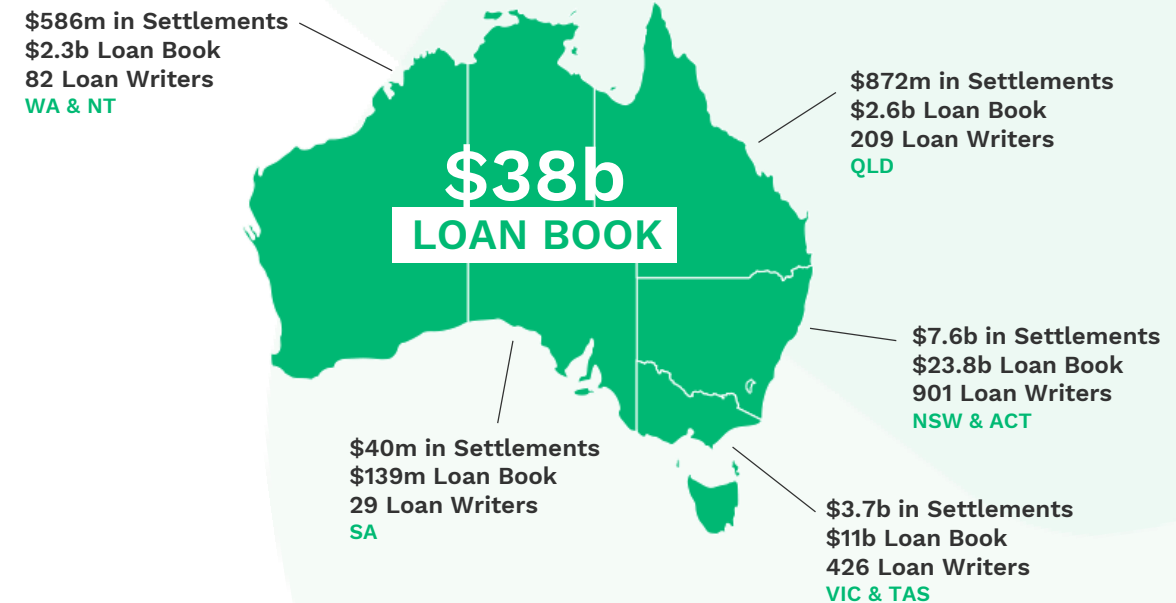
The two divisions of the group provide an alignment of distribution and product manufacturing that has benefited BNK through:

- Increased profitability and broader product offering for both BNK and the Better Choice wholesale business;
- Broadened geographical footprint from the west coast to east coast of Australia;
- Diversity of income streams through aggregation, wholesale distribution and the banking business
- A material increase in the monetary value of transactional accounts that have improved BNK's cost of funds
- A primary focus on the provision of either white labelled or BNK branded products and services utilising distribution partners; rather than targeting direct customer acquisition
- Maintain a focus on a simplified core product range and use data and analytics to create new products that meet the needs of the market we operate in
- Digital strategy supporting white label partner acquisition and servicing activities
- Sharing of income, expense, risks & investment with distribution partners
- Continue to maintain low corporate overheads – primary focus to acquire & manage distribution and partnership arrangements as well as risk management and governance activities
- Develop IP using our technology mindset to differentiate the customer user experience and improve processing time lines for banking products
- Managing risk and compliance across the group to ensure strict governance guidelines are maintained at all times



Finsure maintains a large and proportionately spread broker base across all States/Territories in Australia.

*Settlement figures are from the 12 months up to Sep2019, Loan Book as at Sep2019 and Broker Numbers as at Oct2019*





# Key objectives



## Diversify revenue streams

Access to diversified revenue streams including aggregation, wholesale product offerings, and Finsure broker subscription fees

Finsure's primary sources of revenue include recurring trail and upfront commissions on new loan volumes, and recurring software licensing revenue from brokers. BNK's primary source of revenue includes interest revenue from loan products and bailment revenue from ATM providers

Broader geographical exposure including an established east coast presence  
Increase the range of BNK products



## Access lower cost funding

Use Finsure's distribution channels for deposit products including term deposits and transaction accounts

Build further deposit partnerships with other distribution networks (e.g. Instarem)

Change the mix of deposits, and decrease our reliance on more expensive term deposit funding



## Exploit operational synergies

The major operational synergies occur between BNK and the "Better Choice" business and we aim to keep the Finsure business operationally separate.

There have been a number of opportunities to rationalise functions that are duplicated including back-office support and credit assessment, finance, risk and compliance, marketing and human resources



## Further develop our "open API" platform

Our focus on building a new technology platform around open architecture and accessible APIs is an acknowledgement that much of the data we hold belongs to our customers.

Whilst we have a talented innovative technology team there is a number of players in fintech's and elsewhere that are also focused on creating fantastic customer experiences. We want to be able to collaborate and team up with other groups to provide a better experience or level of service to our customers. This is core to our strategy and we will conduct a further upgrade of our core banking system early in 2020



## Achieve new market status

Continue to fast-track BNK's aim of becoming a diversified financial services business with banking status by leveraging complimentary services and increasing scale across the business

Appeal to a larger range of investors by continuing to build the market capitalisation and profitability of the business

Work with APRA with a view to reducing BNK's prudential capital requirements as scale begins to rival other competitors who have lower thresholds



## Increase loan volumes

Access to increased loan volumes by joining Finsure's panel of brokers

Utilise the network of Better Choice and incrementally fund part of the wholesale and white-label business

# FY19 HIGHLIGHTS

# FY19 Full Year Financial Highlights

## POST MERGER SCALE AND OPERATING LEVERAGE DRIVING PROFITABLE GROWTH

BNK is pleased to report its maiden statutory result of NPAT \$3.6m in FY19, an improvement of \$4m on the prior year, driven by post merger scale, market share gains and accelerating loan book growth. The business also invested significantly in people, systems and platforms with operating expense growth to slow contributing to future operating leverage.



### Strong profitable growth contributing to enhanced capital position

\$3.6m Statutory NPAT<sup>1</sup> – Up \$4m on FY18 loss of \$0.4m  
\$5.2m Pro-forma underlying NPAT<sup>2</sup>



### Strategy delivering scale and emerging operating leverage

\$30.2m Net Income up 492% YoY  
Investment in people, systems and platform with operating expense growth to moderate in FY20



### Strong book growth and accelerating higher margin loan book growth

\$40.6b total loan book up 18.9% YoY  
\$214.4m BNK (Bank) loan book up 25.7% YoY  
Better Choice (Wholesale) & BNK (Bank) settlements up 49.9% and 61.2% YoY respectively  
Strong asset quality with loan loss provision 12bps, down 2bps on FY18



### Greatly enhanced bank funding, margin and mix

\$287m Deposit Book up \$92m, up 47% YoY  
Transaction Account Mix 20% up 14.5% on YoY  
Net Interest Margin 1.95%, up from 1.86% in FY18



### Strong balance sheet settings provide capacity for growth

\$97.9m of cash & liquid holdings up 111% YoY  
20.4% Capital Adequacy Ratio (Target >17%)  
Minimum liquidity holdings (MLH) ratio 26.5%



### Data and Distribution Scale

\$13.3b in total settlements up 6.6% YoY  
1,674 Finsure (aggregation) number of Loan Writers increased by 239 from FY18  
\$11m Finsure (aggregation) FY19 EBITDA up 4.8% YoY

<sup>1</sup> Statutory Profit comprises the full 12 months of BNK Bank, and Finsure Group from the 17<sup>th</sup> September 2018

<sup>2</sup> Proforma Underlying Profit comprises the full 12 months of BNK Bank and Finsure Group and adjusts the period profits for non-recurring items

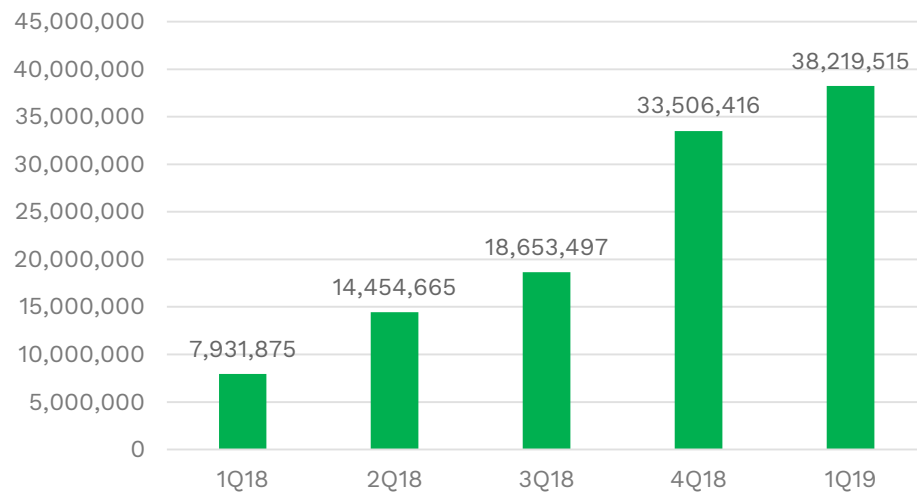
# Q1FY20 Results

# Banking & Wholesale

Q1 FY20

- The Banking division is off to a strong start for the financial year, with the Bank following up record settlements of \$33.5m in Q4FY19 with another record in Q1FY20 of \$38.2m.
- This brings the total 'on balance sheet' lending book to a record \$244.7m.
- Total Banking and Wholesale settlements of \$154.2m for the quarter declined 30% year on year however reflecting the strategic shift in focus to higher margin 'on balance sheet' bank settlements.
- On balance sheet settlements deliver over 4x the margin for the Group versus off balance sheet wholesale settlements and continues to be a key focus for BNK.

BNK Settlements by quarter



PCP Comparison Loan Book & Settlements

(\$'m)	Q1FY19	Q1FY20	\$ Var	% Var
<b>Loan Book</b>				
<i>Bank</i>	171.2	244.7	73.6	43%
<i>Wholesale</i>	2,318.1	2,335.4	17.3	1%
<i>Total</i>	2,489.2	2,580.1	90.9	4%
<b>Settlements</b>				
<i>Bank</i>	7.9	38.2	30.3	382%
<i>Wholesale</i>	211.0	116.0	(95.0)	(45%)
<i>Total</i>	218.9	154.2	(64.7)	(30%)

# Aggregation

Q1 FY20

Finsure is off to a strong start for the financial year achieving record settlements of \$3.5b. Finsure also closed the quarter off on a high by achieving record monthly settlements of \$1.21b in Sept 19, 13% higher year on year. This brings the total aggregation loan book to \$39.8b an outstanding performance in a subdued lending market environment.

Finsure broker numbers also increased by 132 year on year representing growth of 8.8%. This figure remains important to the Group and the Aggregation division as Finsure continues to diversify its revenue base away from commission splits to recurring earnings from fees, subscriptions, training and compliance.

Aggregation	Q1 FY19	Q1 FY20	\$ Var	% Var
<i>Loan Book (\$b)</i>	33.20	39.84	6.63 ↑	20.0% ↑
<i>Settlements (\$b)</i>	3.36	3.47	0.11 ↑	3.4% ↑
<i>Brokers (#)</i>	1,508	1,640	132 ↑	8.8% ↑

# Infynity launch

AGGREGATION Q1 FY20

Launching in August 2019, our new proprietary Infynity CRM supersedes our current LoanKit CRM solution in all key areas and delivers a market-leading solution for Australian brokers.

In recent years, brokers have evolved from transactional finance consultants to wholistic business which offer more than one finance solution, however aggregators have failed to satisfactorily deliver a solution that caters to a modern brokers' needs.

Infynity is the first system built for the modern broker.

## THE INFYNITY DIFFERENCE

- A proprietary system developed in-house to retain full control over developments and retain competitive edge
- Allows for brokers to integrate with additional service providers, increasing their customer footprint
- Improves recruitment as technology is a key decision driver for brokers when considering an aggregator
- Compliance and customer outcomes are central to its core functionality, reflecting the recommendations of the Royal Commission and subsequent industry discussions





**THE BANK FOR ENTERPRISING AUSTRALIANS**



# BNK will become the Bank for Enterprising Australians

SERVICING A LARGE AND EASILY IDENTIFIED YET UNDERSERVED MARKET



- Very few banks are set up or designed to service the needs of Enterprising Australians
- It requires custom manufacturing for specific needs with scalable processes
- Enterprising Australians are high value customers but are underserved
- Banks continue to tighten lending to this segment
- BNK can combine technology and quality human skills to provide superior value to enterprising Australians



GOOD INCOMES AND ASSETS

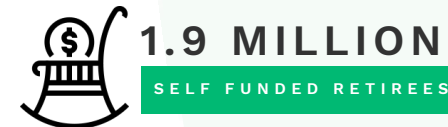
WITH NON-TRADITIONAL OR  
COMPLEX BANK PROFILES



**\$87.2 BILLION** IN  
INVESTMENT  
INCOME\*

Received by Australian households  
during the 2017-18 financial period.

\*Income includes Interest, dividends,  
distribution from trusts, property investment  
income and other financial investments.



OF THE 2.3M ACTIVELY  
TRADING AUSTRALIAN  
BUSINESSES

**93.1%** | **2.15m**

HAVE ANNUAL  
TURNOVER  
**LESS THAN \$2M**



# BOARD OF DIRECTORS

# Board Of Directors



## Jon Sutton

### CHAIRMAN AND NON EXECUTIVE DIRECTOR

Mr Jon Sutton is a successful senior executive with over 24 years' experience in financial services including over eight years banking CEO experience. Jon was the CEO and Managing Director of the Bank of Queensland (BOQ) and retired in 2018. Prior to joining BOQ he served as CEO and Managing Director of Bankwest and was part of the acquisition team that purchased Bankwest from its parent HBOS. Jon has also held senior roles in CBA as the Head of Agribusiness and has over ten years' experience in markets experience having worked in senior roles in CBA's Global Markets Division.

Jon is a results orientated leader who has a demonstrated ability to lead teams through rapidly changing and demanding environments as well as a proven track record of delivery against strategic goals with the ability to see emerging trends and adjust strategy accordingly for success. Mr Sutton will become Chairman of BNK when the existing Chair retires at the end of November and will help provide guidance and leadership to both the board and Managing Director of BNK.



## Don Koch

### NON EXECUTIVE DIRECTOR

Mr Don Koch joined our Board of Directors as a Non-Executive Director in June 2019. Mr Koch is an accomplished senior executive with 30 years' experience in the global financial services sector, both in board and senior management positions.

He was CEO of ING Bank in Australia from 2009 to 2012 before transferring to become CEO of ING Bank Italy from 2012 to 2016. He most recently ran a program for ING Asia as a joint venture with a large local bank within China, the largest digital economy in the world. As the former CIO and part of the team that launched ING Direct in Australia, he has a strong understanding of digital banking from a technology, operational, strategic and governance perspective.



## Simon Lyons

### MANAGING DIRECTOR

Mr Lyons was appointed Chief Executive Officer on 18 January 2016 and became Managing Director on 23 October 2017. Mr Lyons has been involved in the day to day management of financial services business for the last 25 years. Prior to that he served as an Army Officer with the Australian Defence Force. He commenced his business career at Porter Western Limited as a stockbroker in 1994 and was a Director and shareholder of Porter Western when the business was sold to Macquarie Bank in 1999. With the business under new ownership, Mr Lyons became the State Manager for Macquarie Bank in Western Australia before transferring to a national role as Head of Broking (Distribution and Development) in Sydney. In 2005, Mr Lyons became the Head of Macquarie Private Wealth – Asia and spent several years working at establishing or acquiring wealth management businesses for Macquarie Bank throughout Asia. After leaving Macquarie Bank in 2008 Mr Lyons went on to establish and manage wealth management businesses to service clients looking for stockbroking or fixed income investments, prior to joining the Company, Mr Lyons was the Director WA for the Fixed Income Investment Group (FIIG).

# Board Of Directors



## John Kolenda

### EXECUTIVE DIRECTOR

Mr Kolenda was appointed a Director on 13 March 2018. Mr Kolenda is the Managing Director of Finsure Group, and has extensive experience in the mortgage broking and aggregation sector. Finsure was ranked sixth in BRW Magazine's Fast 100 List in 2016 after being ranked second in its top 100 Fast Starters list in 2015. The company was ranked second when the SmartCompany top 50 was named to celebrate Australia's fastest growing SMEs in 2014-15.

Mr Kolenda was the General Manager Sales & Distribution at Aussie Home Loans for ten years from 1994, before founding X Inc, which was a successful mortgage aggregator before its merger with the mortgage broking operations of Ray White in 2007. He was also the Executive Director of the merged entity Loan Market Group. Mr Kolenda founded several businesses before launching Finsure Group in 2011.

Mr Kolenda co-founded and chairs Aura Group Pty Ltd, a boutique corporate advisor and investment house. Aura Group has more than \$600 million in assets under management and advice. John is an investor and Non-Executive Director of ASX-listed The Agency Group Australia Limited – a high quality disruptive real estate brand which has expanded nationwide and experienced significant growth in agent numbers, listings and settlements. Mr Kolenda is a member of the Credit Committee and Remuneration Committee.



## Peter Hall

### NON EXECUTIVE DIRECTOR

Mr Hall was elected as a Director in November 2015 and is an experienced financial services industry professional. Previous Board and industry appointments include: Non-Executive Director of BLSSA Pty Ltd (the licensing Board for Advantedge Financial Services, a NAB subsidiary), Chair of the CoreLogic RP Data sponsored Residential Valuation Industry Advisory Group, Ministerial Advisory Board Member for NSW Housing Minister and Chairman and Council Member of the Lenders Mortgage Insurance sub-committee. Mr Hall has also held the senior executive position of Country Executive of Genworth Financial Aust. & NZ and Managing Director of Genworth Financial Mortgage Insurance Aust. & NZ.

Mr Hall holds a Graduate Diploma of Management, has completed Executive Management Programs at GE's global management college, a Senior Associate of the Financial Services Institute of Australia and has received a Distinguished Service Award from the Australian Securitisation Forum.

Mr Hall is the Chair of the Risk & Compliance Committee, Chair of the Board Credit Committee and is also a member of the Audit Committee.

# Board Of Directors



## Jon Denovan

### NON EXECUTIVE DIRECTOR

Jon is well known as a leading authority on regulation and compliance for the mortgage industry. In recognition of his contribution to the industry, Jon was made the first honorary member of the Mortgage & Finance Association of Australia (MFAA). Jon was recognised as a leading lawyer in financial services regulation in the 2014 edition of Chambers Asia Pacific and was voted by his peers as one of Australia's Best Lawyers in Financial Institutions since 2013. His significant knowledge makes him a trusted authority on all forms of financial accommodation, the National Consumer Credit Protection Act 2009 and the National Credit Code, trade practices and fair trading legislation. Jon is Australia's leading authority on non-bank lending, third-party distribution agreements and mortgage and loan servicing.

Complementing Jon's skills in the finance industry is his significant experience in the property industry. Many of Australia's major property developers have benefitted from his structuring of some of their largest property projects and his thorough, yet straightforward, documenting of their complex joint ventures and other commercial arrangements. In doing this, Jon also applies his significant knowledge of taxation, stamp duty and GST.

Jon writes numerous academic articles on the industry and was the principal author of the National Credit Regulation loose leaf service published by Thomson Reuters.



## Peter Wallace

### CHAIRMAN & NON EXECUTIVE DIRECTOR - RETIRING

Mr Wallace was appointed a director in August 2014. He has more than 45 years of experience from a range of appointments held within the banking and financial services industry. Mr Wallace was previously the Head of Corporate (Western Australia) for Bell Potter Securities Ltd where he directed capital raisings for several large publicly listed companies as well as provided a variety of corporate advisory services to both private and publicly owned companies. Over the past 30 years he also held executive management positions with Westpac Banking Corporation, Challenge Bank Ltd and National Australia Bank Ltd. Previous public company experience includes directorships with Tethyan Copper Ltd, Rural Aus Investments Ltd and Decmil Engineering Ltd.

During the past three years he has served as a director of the following listed companies: Katana Capital Limited (appointed 19 September 2005); and Neptune Marine Services Limited (appointed 8 July 2011).

Mr Wallace is a Senior Fellow of the Financial Services Institute of Australia, a Fellow of the Australian Institute of Company Directors and an Associate Fellow of the Australian Institute of Management. He is Chair of the Remuneration Committee and a member of the Audit Committee, Credit Committee and Risk & Compliance Committee.

# CORPORATE OVERVIEW

# Corporate Overview

AS AT 25 NOVEMBER 2019

BNK Banking Corporation Limited has ~82.4 million shares on issue, and a market capitalisation of ~\$52m as of 25 November 2019.

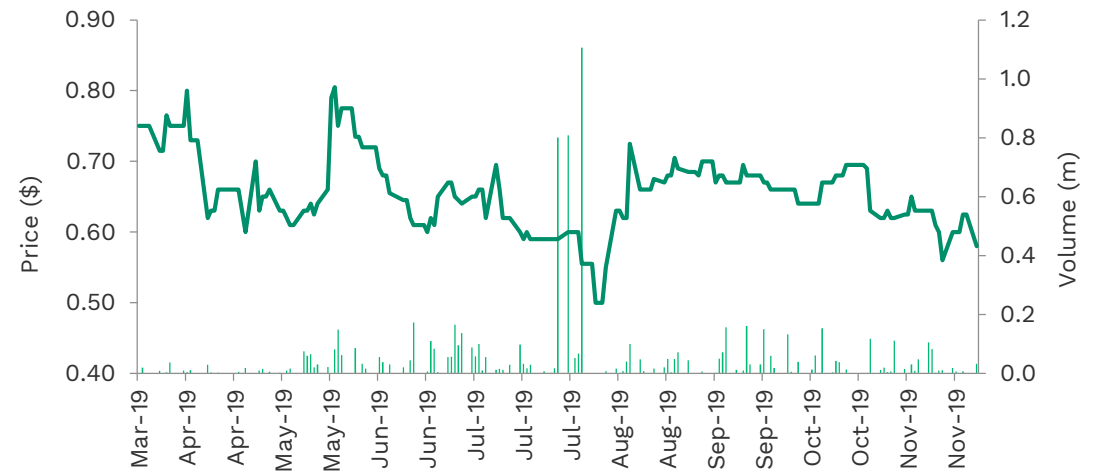
## Top 10 Shareholders

Shareholder	# of Shares	% of BBC Shares
John Kolenda	13,927,478	16.90%
Kar Wing NG	7,674,747	9.31%
HSBC Custody Nominees (Australia) Limited	5,751,254	6.98%
Resimac Limited	3,725,591	4.52%
Aoyin Group Limited	2,629,996	3.19%
Carpe Diem Asset Management Pty Ltd <Lowe Family A/C>	2,430,190	2.95%
Koleet Pty Ltd	1,841,144	2.23%
Invia Custodian Pty Limited <B & D Superfund A/C>	1,787,163	2.17%
Firstmac Limited	1,769,416	2.15%
Citicorp Nominees Pty Limited	1,595,903	1.94%

## Capital Structure

Class	# of Securities
BNK Banking Corporation Limited Ordinary Shares	82,415,399
BNK Banking Corporation Limited Performance Rights	1,833,334

## Share Price and Volume History



# QUESTIONS