

ASX Release, 28 February 2020

BNK DELIVERS H1 FY20 NPAT OF \$3.0M AND STRONG PORTFOLIO GROWTH

BNK Banking Corporation Limited (“BNK: or “the Group”) (ASX:BBC) today released its half year results for the six months to 31 December 2019 (H1 FY20) reporting a statutory net profit after tax of \$3.0 million.

GROUP FINANCIAL HIGHLIGHTS

- Statutory NPAT of \$3.0m up 348% on H1 FY19 and up 87.5% on a pro-forma basis
- \$0.8m Cash NPAT with all business units generating positive cash profit
- Net Income growth of 57% YoY
- BNK (Bank) on balance sheet settlements of \$82m up 266% YoY
- \$7.6b in total loan book settlements up 7% YoY
- Deposit growth to \$307m up 41% YoY
- Total loan book growth to \$44.5b up 17% YoY
- BNK on balance sheet loans \$265m up 50% YoY
- Net interest margin of 1.77%
- Capital adequacy ratio of 17.57%
- NTA per share of \$0.67
- EPS of 3.64 cps up 219% YoY

DISTRIBUTION CAPABILITY AND OPERATING LEVERAGE DRIVING PROFITABLE GROWTH

BNK is pleased to announce a statutory NPAT of \$3.0 million for H1 FY20, an improvement of \$2.3 million from H1 FY19, representing the first full interim period for the Group since the merger with Finsure was completed late in 2018. The result was driven by the Groups’ large distribution capability and accelerating settlement growth. The business continued to invest in systems, people and operating platforms. Each of the three business divisions (Bank, Wholesale and Aggregation) reported both statutory and cash profits. Operating expense growth was only 8.7% YoY (excluding merger costs in H1 FY19) and flat for the last two half’s contributing to growing operating leverage.

BNK Managing Director Simon Lyons said, “I have continued confidence with the strategic direction the Group is taking, which is demonstrated in the financial result we have achieved so far. The operational efficiencies demonstrated in our half year report clearly show we are on track or exceeding our strategic goals. The profit signature of the Bank continues to grow and the synergies between the merged entities will continue to deliver further growth going forward.”

The Group’s capital adequacy ratio of 17.57% at the half-year was adequate however our strong growth has required further capital, thus a placement completed subsequent to the half-year end will allow BNK to continue to pursue its growth strategy.

Board revitalisation continued with the appointment of Jon Sutton to the Board in October 2019 who succeeded Peter Wallace as Chairman with effect from the 2019 AGM.

STRONG GROWTH IN SETTLEMENTS

BNK continued to realise strong growth in loan book settlements with YoY growth of 7% to \$7.6b, with on balance sheet loan growth of 266% a key highlight being well above system growth. The distribution and marketing capability of Better Choice (Wholesale) has strongly enhanced the Bank's ability to grow its on-balance sheet lending. Total Banking and Wholesale settlements of \$300.9 million for the half fell by 20% year on year however benefited from a greater proportion of higher margin 'on balance sheet' bank settlements (27% vs 6% in 1H FY19) with on balance sheet settlements for the Bank of \$82 million in the half exceeding settlements achieved for the full 2019 financial year. Banking settlements have also started CY20 strongly with \$20m settled in January 2020.

BNK's aggregation business, Finsure achieved \$7.3 billion of settlements in the half year including a record of \$1.43 billion during the month of December 2019. The total aggregation loan book reached \$41.9 billion, an increase of 18% YoY.

CREDIT QUALITY MAINTAINED

Credit quality has remained sound with no loan losses incurred in the period by the Bank. Credit loss provision coverage remains consistent with FY19 at 12bps. BNK has continued to achieve increased geographical diversification with the exposure to the legacy Western Australia market reducing to 54% (2019: 73%) reflecting BNK's aim of becoming a national challenger bank that is focused on the needs of enterprising Australians. Our partnership with Bank@Post further enhances our national reach with customers able to access over the counter banking services at some 3,500 Post offices nationwide.

BNK has limited exposure to recent bushfire affected areas, but some customers have been impacted. BNK is committed to proactively assisting any customers impacted where required.

UPDATE ON ATM MATTER

During the half year, BNK was advised of the appointment of liquidators to ATM Co Pty Ltd and Tuff Enterprises Pty Ltd, entities with which the Company held ATM bailment and cash in transit agreements. The liquidator of these companies has notified the Company the cash has not been located. The Company has lodged a claim with its insurer for the missing cash totalling approximately \$2.9 million. The Company continues to engage with its insurer to provide the necessary documentation and evidence in support of the claim and a decision regards the claim is anticipated before 30 June 2020.

An impairment provision and associated insurance receivable have been recognised in the half-year financial report for the amount of \$2.9 million. If, in the event the actual outcome with the insurance claim differs from the receivable recognised, this will be adjusted in future periods.



STRONG BALANCE SHEET FOR GROWTH

The business maintained \$64.1 million of cash and liquid holdings at the half year with the Bank's minimum liquidity holding ratio (MLH) of 16.8% within BNK's targeted range. Deposit funding grew to \$307 million, a 41% increase YoY and improved the mix of transactional to term deposit funding from 19.8% at FY19 to 22.3% at 1H FY20. This remains a key aim for the Bank to lower its cost of funds and diversify its funding sources.

Subsequent to the half-year, BNK raised an additional \$7.0 million of capital via a placement and has announced a non-renounceable rights issue for existing shareholders, to raise up to \$5.5 million. The strengthened capital position provides the business with a solid runway for ongoing growth of its lending business and strengthened operational risk buffers.

FINAL WORD ON AGGREGATION

Finsure, BNK's aggregation group continues to grow strongly, this week being named Best Aggregator at the Australian Lending Awards.

In August 2019 Finsure's advanced CRM technology was launched to market. With enhanced compliance framework, automated workflow technology and intuitive use of big data, Infynity is the most advanced broker CRM platform in the market. All 1,667 of Finsure's brokers are now using the Infynity platform.

The aggregation side of the business continues to grow strongly adding 86 additional brokers to the business YoY.

This announcement has been authorised for release to the ASX by the board of directors of the Company.

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Who is BNK Banking Corporation Limited?

BNK Banking Corporation Limited (BNK) is a diversified financial services company with two key operating divisions in banking and mortgage broking aggregation:

Banking

The company has operated as an APRA-regulated authorised deposit-taking institution (ADI) for over 37 years. As such our customers benefit from the Australian government deposit guarantee scheme for deposits up to \$250,000.

The bank provides simple and easy to understand deposit accounts, personal loans and mortgages under a number of brands: Goldfields Money, which is used in the Goldfields region of Western Australia but will be retired when the remaining branches close, BNK Bank is our national brand, complemented by the Better Choice Home Loans brand, with lending products distributed via mortgage brokers nationally.

The Company is continuing to develop its new digital banking platform which will enable it to deliver a broad range of banking products directly to customers, as well as through third party intermediaries and via the Bank@Post service across Australia.

Mortgage Aggregation

The Aggregation division, operating as Finsure, provides one of the largest distribution networks in the country as well as valuable market insights that assist BNK with product development. As at 31 Dec 2019 the business services over 1,660 mortgage brokers and manages a loan book in excess of \$42bn.

This unique combination allows BNK to develop competitive products that meet its changing customer needs, leveraging its low-cost, technology-driven model. BNK is focused on becoming a challenger bank of scale through building its product portfolio, growing its diversified distribution network and pursuing API-enabled partnering opportunities.

The Company is listed on the Australian Securities Exchange (ASX:BBC).

You can read more about us at www.bnk.com.au and www.finsure.com.au.