

ASX Release, 15 May 2020

SHARE CAFÉ INVESTOR PRESENTATION

Simon Lyons, Managing Director of BNK Banking Corporation Limited (ASX:BBC) (“BNK” or the “Group”) will present the following presentation via webinar to the Share Café Micro/Small Cap “Hidden Gems” forum today at 2.30pm (AEST).

To join the webinar, pre-registration at <https://bit.ly/small-cap-webinar> is required.

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

ENDS

Investor / Media Enquiries

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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, complemented by the Better Choice Home Loans brand, distributed via mortgage brokers nationally.

BNK Bank plans to offer a new range of product under the BNK brand later this financial year. 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 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 Mar 2020 the business services 1,686 mortgage brokers and manages a loan book in excess of \$43.36bn.

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.

BNK Banking Corporation

ShareCafé Presentation

May 2020

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.

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

Non statutory financial disclosures are not audited.

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Divisional Snapshot



BNK
BANKING
CORPORATION



BNK

Banking

APRA-regulated authorised deposit-taking institution
\$285 million of on-balance sheet loans
\$48m million of off-balance sheet loans
Total deposits of \$339 million as at 31 March 2020



BETTER CHOICE

Wholesale Mortgage Manager

Approx. 6,000 accredited brokers
Approx. \$600m worth of loans settled in FY19
Total loan book \$2.3b
6 different wholesale funding lines



FINSURE

Aggregation

1,686 mortgage brokers
Averaging \$1.2b in home loan settlements per month
Total loan book in excess of \$43b
Panel of 65+ lenders

About Us

BNK Group Snapshot

BNK Banking Corporation Limited is a 38 year old APRA regulated bank (Authorised deposit taking institution) and has been listed on the Australian stock exchange (ASX:BBC) since 2012.

We have two key divisions:

- Banking & Wholesale, operating under “BNK Bank” and “Better Choice Home Loans” (mortgage manager) – an APRA regulated bank that offers deposit and loan products that are funded either on-balance sheet or off-balance sheet through a range of third party funders. Our deposits are all guaranteed by the Australian Government Deposit Guarantee for up to \$250,000 per customer.
- Mortgage Aggregation, operating under “Finsure” and “Loankit” brands – an ASIC regulated mortgage aggregation and software technology platform with over 1,686 loan writers as of 31 March 2020. Finsure puts brokers first and is a leader in the market in offering a diverse lending panel, flexible commission models, training, lead generation, proprietary SaaS and mortgage broker support services.



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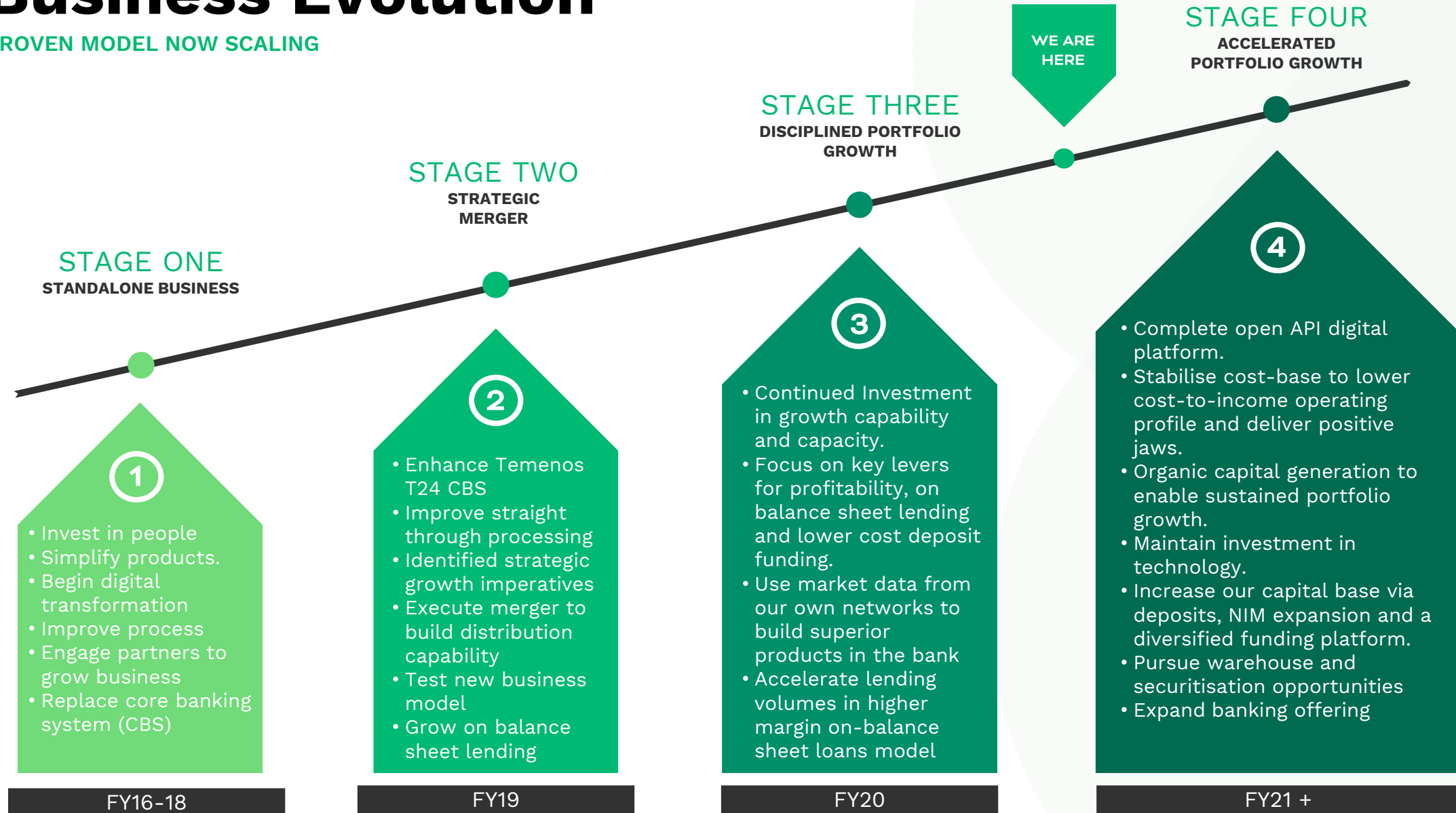
BNK now has a unique opportunity to drive superior value by leveraging the strengths and complementary capabilities of each business as we utilise our large scale distribution network to significantly grow the banks footprint in the Australian lending and general banking market

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Business Evolution

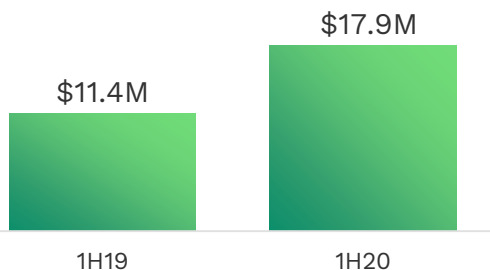
PROVEN MODEL NOW SCALING



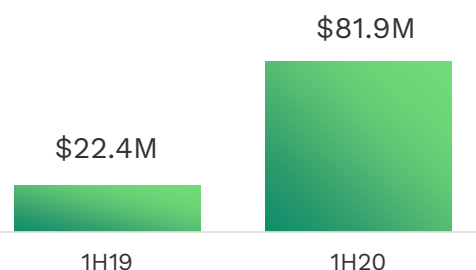
Key business metrics -1st Half YoY

PROVEN STRATEGY, FOCUS NOW ON SCALING

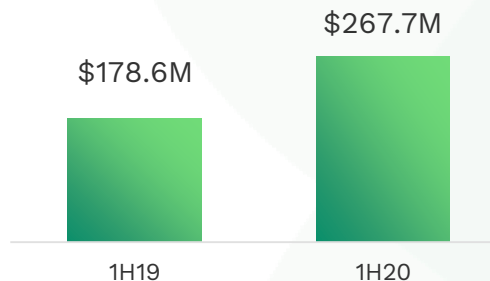
GROUP INCOME GROWTH
INCLUDING NPV
↑ UP 57%



BNK BANK
SETTLEMENTS
↑ UP 266%



BNK BANK
LOAN BOOK
↑ UP 50%



WELL CAPITALISED



AS AT 3Q20

LOAN LOSS RATE
Maintaining a focus on disciplined portfolio growth



1H19 1H20

SUBSTANTIALLY
IMPROVED DEPOSIT BASE
Transaction Account Mix



FY18 FY19 Q320



1H20 Statutory NPAT of \$3M
↑ UP 348% YoY

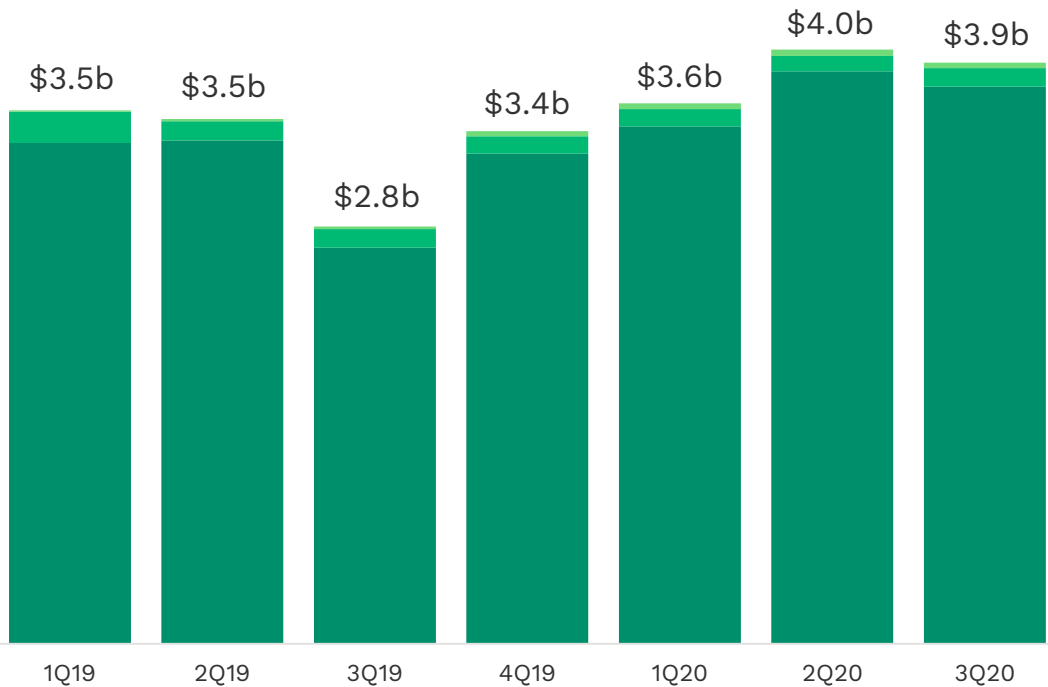


Group wide loans under
management \$44.5b (as at 2Q20)
↑ UP 17% YoY

Consistent growth of high-quality loan book

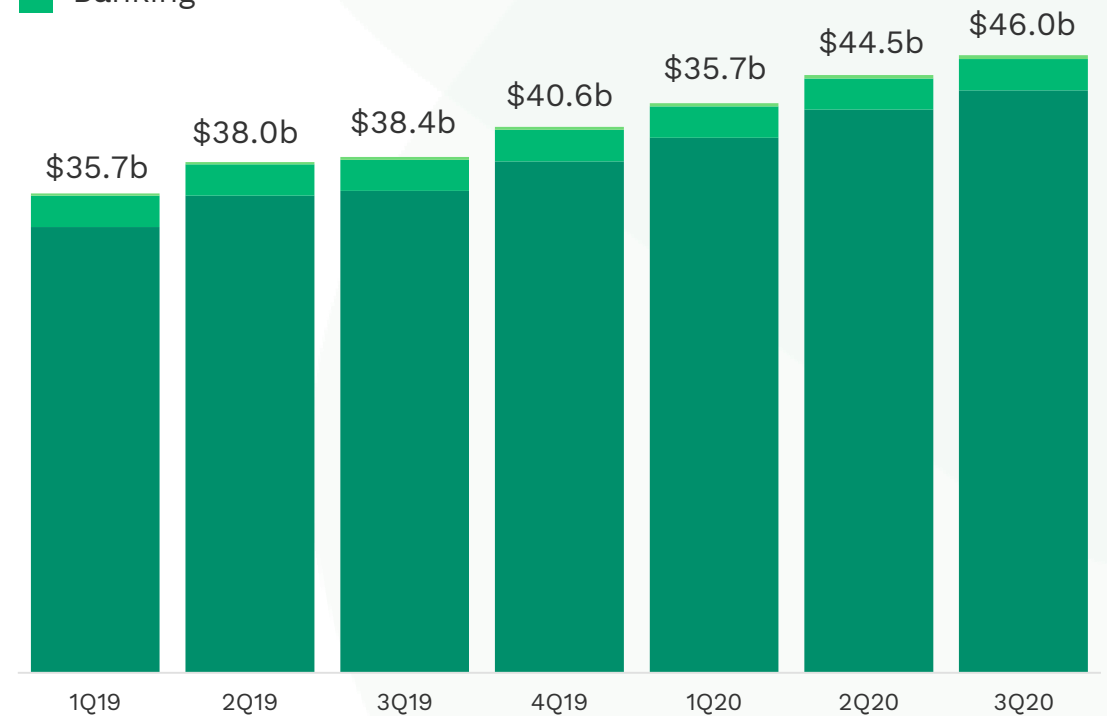
Loan Originations

- Aggregation
- Wholesale
- Banking

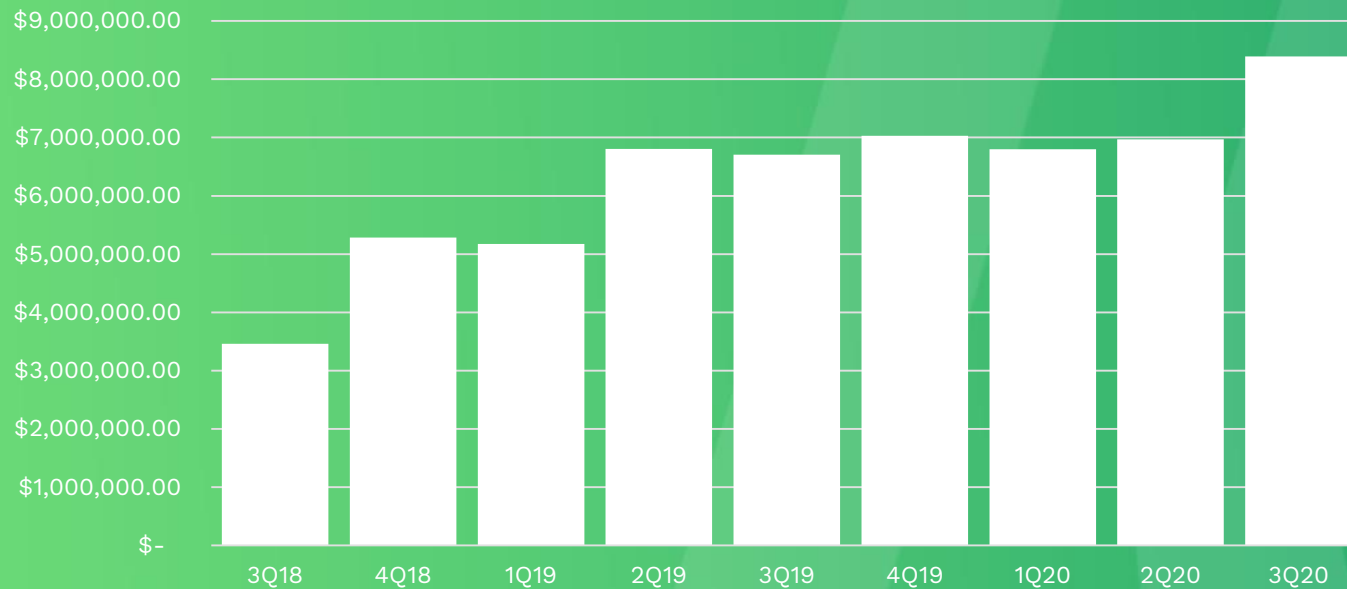


Loan Book

- Aggregation
- Wholesale
- Banking



Synergies from merged entity already demonstrating revenue growth



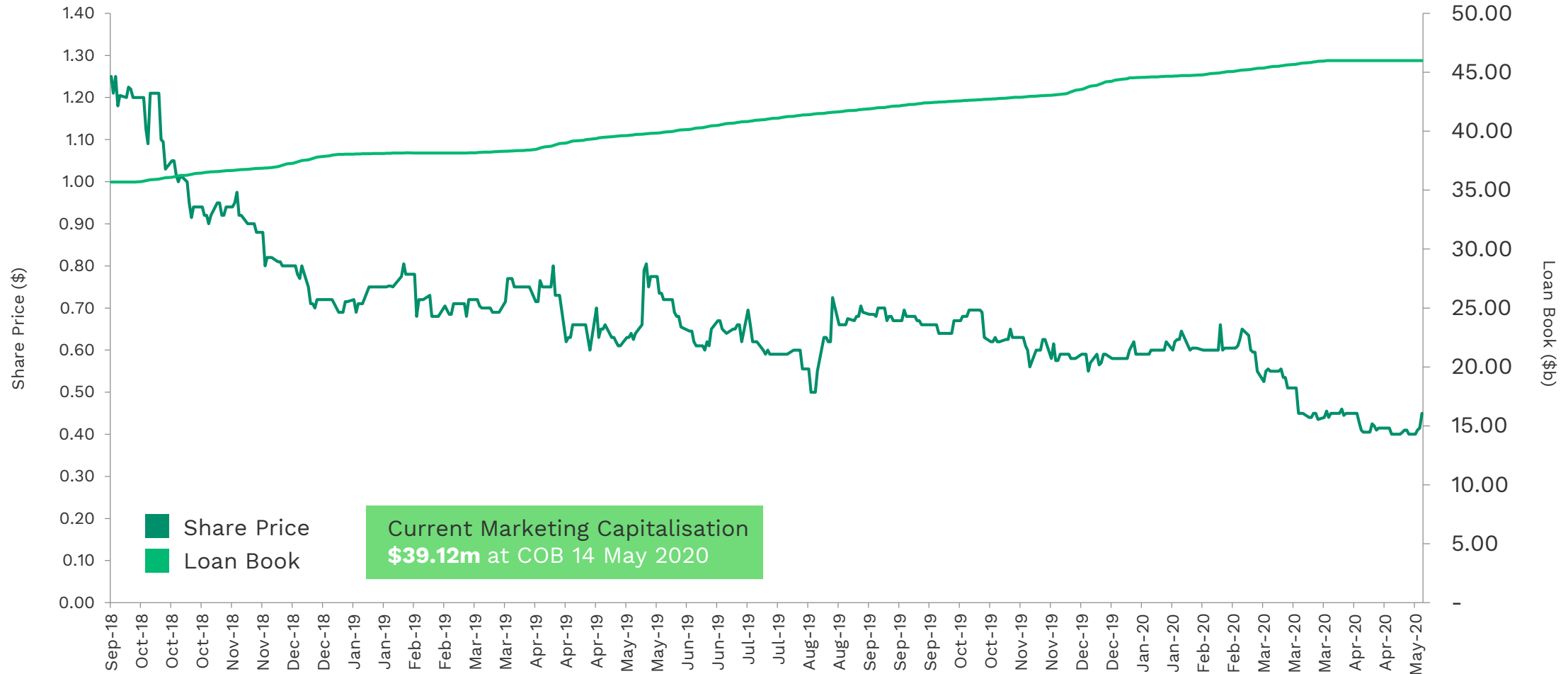
Net Income (excl. NPV)

The consistent trend of increasing revenue growth has been driven by the Group's large distribution capability and accelerating settlement growth.

Operating expense growth has been more or less flat over the last year contributing to growing operating leverage.

The BNK strategy is all about using the large-scale distribution capability provided to the bank by mortgage brokers to allow us to focus on the higher margin 'on balance sheet' loans rather through traditional wholesale funding channels.

Current share price represents significant upside opportunity



A Compelling Investment Case



	Fast growing with majority of business revenue recurring	Net Income (incl. NPV) of \$17.9m in first half of FY20, up 57% YoY.
	Distribution at scale	Ability to distribute BNK loans through Finsure's 1,686 mortgage brokers and Better Choice's 6,000+ mortgage brokers, providing plenty of scope to increase our higher margin On-Balance sheet loans.
	Sound balance sheet settings provide strong growth platform	Capital Adequacy Ratio of 22% (As at 3Q20) maintaining robust portfolio strength. Minimum liquidity holdings (MLH) ratio 16.8%, maximising funding efficiency (As at 1H20).
	Operating Leverage	An unrestricted ADI license with no legacy technology, providing flexibility to respond at speed to the changing needs of customers and the changing shape of the marketplace.
	Diversified Revenue Base	<p>The business has the potential to make either manufacturing margin, wholesale margin and/or aggregation margin off any home loan transaction in Australia. The company also generates significant income through Loan Writer subscription fees, aggregation margin and software fees.</p> <p>All business units in BNK are generating positive cash profit.</p>
	Data	Scale of settlement across the network provides unique access to data smarts to enable products and services to be tailored to the needs of our customers.
	Profitable Now & Positioned for Growth	ADI Licence, largely untapped distribution capabilities, highly capable executive team and board, clearly defined target market and strategy to leverage higher margin On-Balance sheet funding.

COVID-19 Commentary



Loan Book

- Like all businesses, COVID-19 has provided a range of challenges to BNK.
- The advantage of our dual funding model is it has allowed BNK to transition the business to utilize a greater mix of off-balance sheet facilities to intentionally conserve regulatory capital.
- The total 'on-balance sheet' lending book is now at a record \$285.4m, up year-on-year by \$93.0m or 48.4%. March "on balance sheet" settlements were impacted by COVID-19 as BNK implemented a deliberate strategy to conserve capital.
- However, BNK remains well capitalised, is maintaining a strong liquidity position and is currently planning a transition back to normal operating conditions as and when the government advice allows it to do so.



Risk Exposure

- The banking business has seen an increased number of hardship enquiries as a result of the COVID-19 impact. BNK has approved hardship applications for approximately 2.7% of its on-balance sheet portfolio customers, which still remains a small portion of our overall portfolio.
- Extensive stress testing of our portfolio has been carried out confirming very low balance sheet exposure to high risk categories that are likely to be impacted by COVID-19.
- The companies Mortgage Management arm (Better Choice) and Mortgage Broking Aggregation business (Finsure) continue to be well placed to continue lending, operations and profitability through the COVID-19 disruption and subsequent recovery.

Industry recognition - confirming our place as market leaders

Each business unit in our group has received recognition for excelling in their particular channels



2020 Australian Lending Awards

Best Non-Bank (Better Choice)
Best Aggregator (Finsure)



2019 MFAA National Excellence Awards

Mortgage Manager of the Year (Better Choice)



2020 Mozo Experts Choice Awards

Best Small Business (Exceptional Everyday Account)
Best Pensioner Account



2019 MPA Brokers on Aggregators Awards

Quality Lender Panel GOLD (Finsure)
Accurate and Timely Commission Payments GOLD (Finsure)
White Label Program GOLD (Finsure)



2019 Acquisition International Finance Awards

Best Retail Solutions Provider (BNK)



AUSTRALIAN LENDING AWARDS



AUSTRALIAN LENDING AWARDS



Investor Enquiries

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