

ASX Release 31 July 2020

BNK GROUP Q4 and FY20 TRADING UPDATE

BNK Banking Corporation Limited (ASX:BBC) (“BNK” or the “Group”) is pleased to provide the market with a trading update for Q4 FY20 and FY20. Overall, BNK has performed strongly over Q4 FY20 and FY20 - especially in light of the COVID-19 disruption.

Highlights for FY20 (unaudited):

- Total loan book¹ grew to \$48.1b up 18% YoY
- Finsure loan book of \$45.4b up 19% YoY
- Finsure settlements of \$15.6b up 23% YoY
- Strong Q4 Finsure settlement volumes of \$4.5b up 37% YoY.
- Settlement volumes during May and June 2020 of \$1.48b and \$1.71b respectively were **consecutive all-time record settlement months up 15.5% month on month. June’s settlement record was also 50% up YoY.**
- Strong broker recruitment. Total brokers increased to 1,740 up 4% YoY
- Wholesale settlements of \$447m down 23% YoY and loan book of \$2.3b flat YoY
- Wholesale distribution network grew to a potential approx. 6500 brokers after the joining the PLAN Australia lending panel
- **BNK settlements of \$129m up 73% YoY and on-balance sheet loans of \$285m up 33% YoY**
- Deposit growth to \$346m up 20.4% YoY
- **Transaction accounts of \$122m up 120% YoY**
- Strong balance sheet with \$93m of cash and liquid holdings and a capital adequacy ratio of 21.42%
- BNK Group continues to achieve growing operating leverage with operating expense growth below 5% and **growing profitability**

Finsure Aggregation Update

Finsure continues to achieve strong settlement volumes, settling another record \$4.5b in Q4 2020, 37% higher against Q4 2019. Finsure settled \$15.6b in loans during FY20, bringing the total Aggregation loan book to \$45.4b. Finsure’s market share continues to grow through the year recording an all-time monthly record of \$1.71b in settlements during June 2020, a run rate of approx. \$20b. This was the second consecutive record month for Finsure, an outstanding performance against the backdrop of COVID-19.

Finsure launched its new cloud based broker CRM platform Infynity in October 2019 and successfully transitioned Finsure’s large broker force to the new platform over FY20; Infynity is industry leading with open API connectivity enabling Finsure’s marketplace to integrate with more products and services like Core Logic.

¹ Total loan book comprises \$45.4b Finsure Aggregation loan book, \$2.3b of off balance sheet loans managed by Better Choice and \$285m of BNK Bank on balance sheet loans.

This successful implementation will increase productivity and allow Finsure to refocus on broker recruitment in FY21. Broker numbers also increased to 1,740 at the end of June, an increase of 66 brokers YoY.

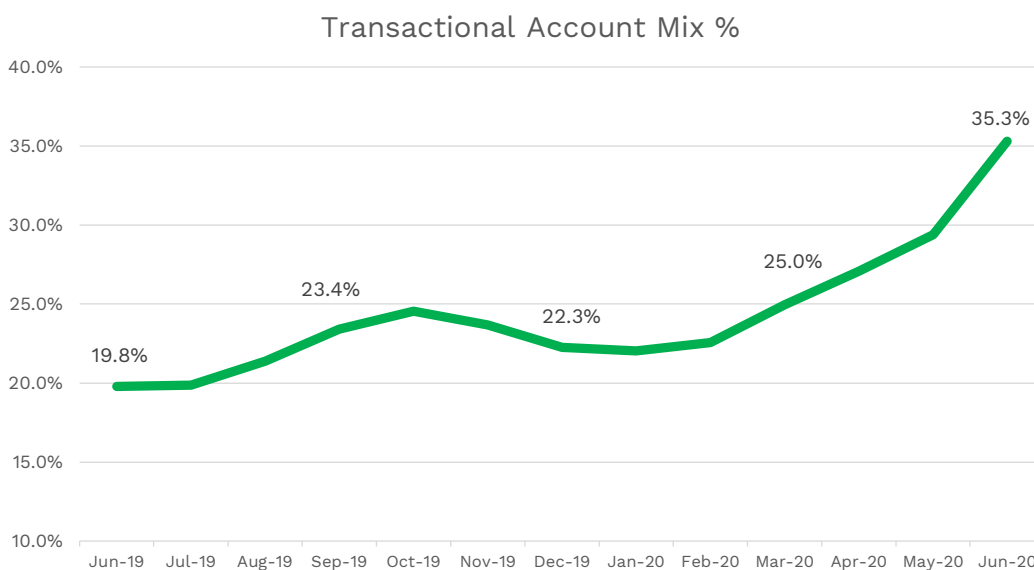
“Despite COVID-19, Finsure’s growth continues to be a standout with record settlement volumes in June and strong broker recruitment anticipated. Pleasingly in June new purchasing and construction lending comprised approx. 60% of settlement volumes. This growing scale is now driving sustainable profit growth in its own right.” said Finsure Managing Director John Kolenda.

Banking & Wholesale Update

BNK settled \$129m in FY20 up 73% YoY and closed FY20 with \$285m of on-balance sheet loans up 33% YoY. As previously advised, BNK took steps to deliberately moderate loan originations through Q4 FY20 as a prudent response to the uncertainty around the COVID-19 disruption. BNK has slowly reactivated loan originations from June onwards. The loan origination pipeline has already started to grow with additional lending products planned for FY21.

As at 30 June 2020, 5.2% BNK’s customers (by value) were provided with COVID related relief packages consisting of short term (3-6 month) payment deferrals. This represents a reduction from 5.6% recorded at 31 May due to customers now returning to regular payments.

BNK’s substantially improved deposit base grew to \$346m with a reduction in higher cost term deposits which have been replaced by new to bank transaction account funding now \$122m as at 30 June 2020, more than doubling YoY. This ratio at 30 June 2020 has grown to 35%. It remains a key aim for the Bank to lower its cost of funds and diversify its funding sources.



Wholesale (Better Choice) also settled \$447m of loans over FY20 and ended the period with a \$2.3b loan book, flat for the period. This was a reduction of 23% YoY and reflected a shift to higher margin on-balance sheet loans as well as a slowdown in Q4FY20 due to COVID-19.

Update on Securitisation Warehouse Funding

BNK has made substantial progress to diversify off balance sheet funding and towards the establishment of a securitisation program. BNK has executed non-binding term sheets for securitisation warehouses with an international bank and a local bank and is progressing due diligence, structuring, and documentation with the target of having a program launched in late 2020. Potential warehouse partners have been attracted to the growing scale of the Finsure and Wholesale distribution eco-systems.

Corporate Update

BNK has also received \$1.2m of insurance proceeds in relation to cash convenience facilities that BNK administers. BNK remains in constructive discussions with the insurer with regards to the final portion of the loss equating to \$1.7m.

BNK has also received APRA preliminary approval to raise \$10m via a Tier 2 subordinated note.

“BNK Group continues to achieve growing operating leverage with operating expense growth below 5% and growing profitability. The growing scale of the Finsure aggregation business creates great opportunity for the Banking and Wholesale businesses to manufacture high margin products and grow loan assets. With low operating expense growth and growth in loan assets contributing to growing operating leverage and profits. The Group remains well capitalised with a strong balance sheet and has made significant progress with diversification of funding over the period. We look forward to announcing the audited FY20 results in late August,” BNK Interim CEO Don Koch said.

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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 38 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 30 June 2020 the business services 1,740 mortgage brokers and manages a loan book in excess of \$45.4bn.

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.