

ASX/Media Release, 17 December 2020

Loan Book surpasses \$300m, Tier 2 Regulatory Capital Issuance

BNK Banking Corporation Limited (ASX:BBC), the banking and mortgage aggregation group today announced a potential unlisted wholesale Tier 2 subordinated note issue in the coming days, subject to market conditions. BNK intends to conduct a debt investor briefing ahead of a formal transaction launch.

BNK flagged it had received preliminary APRA approval to raise \$10 million via Tier 2 Hybrid Subordinated Notes in its FY20 results presentation released on 28 August 2020.

BNK's on balance sheet loan book has now surpassed \$300 million and the pipeline of residential mortgage loans continues to grow. The Tier 2 subordinated note is expected to raise up to \$10 million and will underpin ongoing growth.

BNK's capital is well above regulatory benchmarks, with a Common Equity Tier 1 (CET1) ratio of 20.92% as at 30 June 2020. Post completion of an expected \$10m Tier 2 raising, BNK's pro forma Total Capital Ratio is estimated to increase from 21.22% to 27.64%.

Further information is detailed in the attached "Presentation to Debt Investors".

This announcement has been authorised for release by the Board of Directors.

ENDS

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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 September 2020 the business services 1,816 mortgage brokers and manages a loan book in excess of \$47.7bn.

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 Limited

Investor Presentation

December 2020

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This presentation also contains information as to BNK's past performance. Past performance information given in this presentation is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

BNK's statutory annual audited financial statements are general purpose financial statements that are prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board ("AASBs") and have been audited by KPMG. International Financial Reporting Statements ("IFRS") form the basis of Australian Accounting Standards adopted by the AASB. The consolidated financial statement also complies with IFRS.

This presentation also includes certain non-AASB or non-IFRS measures. This additional information is not prepared in accordance with AASB or IFRS and is not audited and should be viewed as supplemental to BNK's statutory annual audited financial statements. Investors are cautioned not to place undue reliance on this information and should note that these measures do not have standardised meanings prescribed by AASB or IFRS and, as calculated by BNK, may differ materially from similarly titled financial measures reported by other entities, including BNK's competitors. These measures should not be considered in isolation or construed as a substitute for measures in accordance with AASB or IFRS. 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.

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

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Our Business



BNK Banking Corporation

- BNK Banking Corp provides a broad range of consumer and business financial solutions through three key divisions (1) aggregation (2) non-bank lending (3) banking
- BNK was established in 1982 as the Goldfields Credit Union. The Company was listed on the ASX as Goldfields Money in 2012 and subsequently merged with the Finsure Group in Sept 2018 to form BNK Banking Corporation.



- Mortgage broking aggregation business
- Top 5 aggregator in Australia with 1,740 brokers

- Providing platform services to mortgage brokers. The Finsure business generates fee revenue for services provided to mortgage brokers, such as software, compliance and marketing and commission splits from loans originated by brokers (upfront and trailing).



- Non-bank lender
- Utilising 6 different wholesale funding lines (including BNK funding)

- Manufacture and provide home loan products to over 6,000 brokers using a combination of on and off balance sheet lending. Currently Better Choice is also the main distribution vehicle for BNK funded home loan products



- BNK is an APRA-regulated ADI (bank)
- Australian Government Guaranteed deposits

- Provides lending and deposit solutions

Experienced Board and Management Team

Board Of Directors



Jon Sutton
Chairman of the Board



Don Koch
Vice Chairman



Jon Denovan
NED



Peter Hall
NED



John Kolenda
Executive Director

Executive Team



Brett Morgan
BNK/BC CEO



John Kolenda
Finsure CEO



Allan Savins
GM – Banking
& Wholesale



Simon Bednar
GM Aggregation



Andrew Kitchen
Chief Financial
Officer



Amber Smith
Chief Operating
Officer



David Maher
Head of
Marketing



Malcolm Cowell
GM Finance &
Company
Secretary



Talia Swersky
Internal Audit
Manager

Bringing it all together

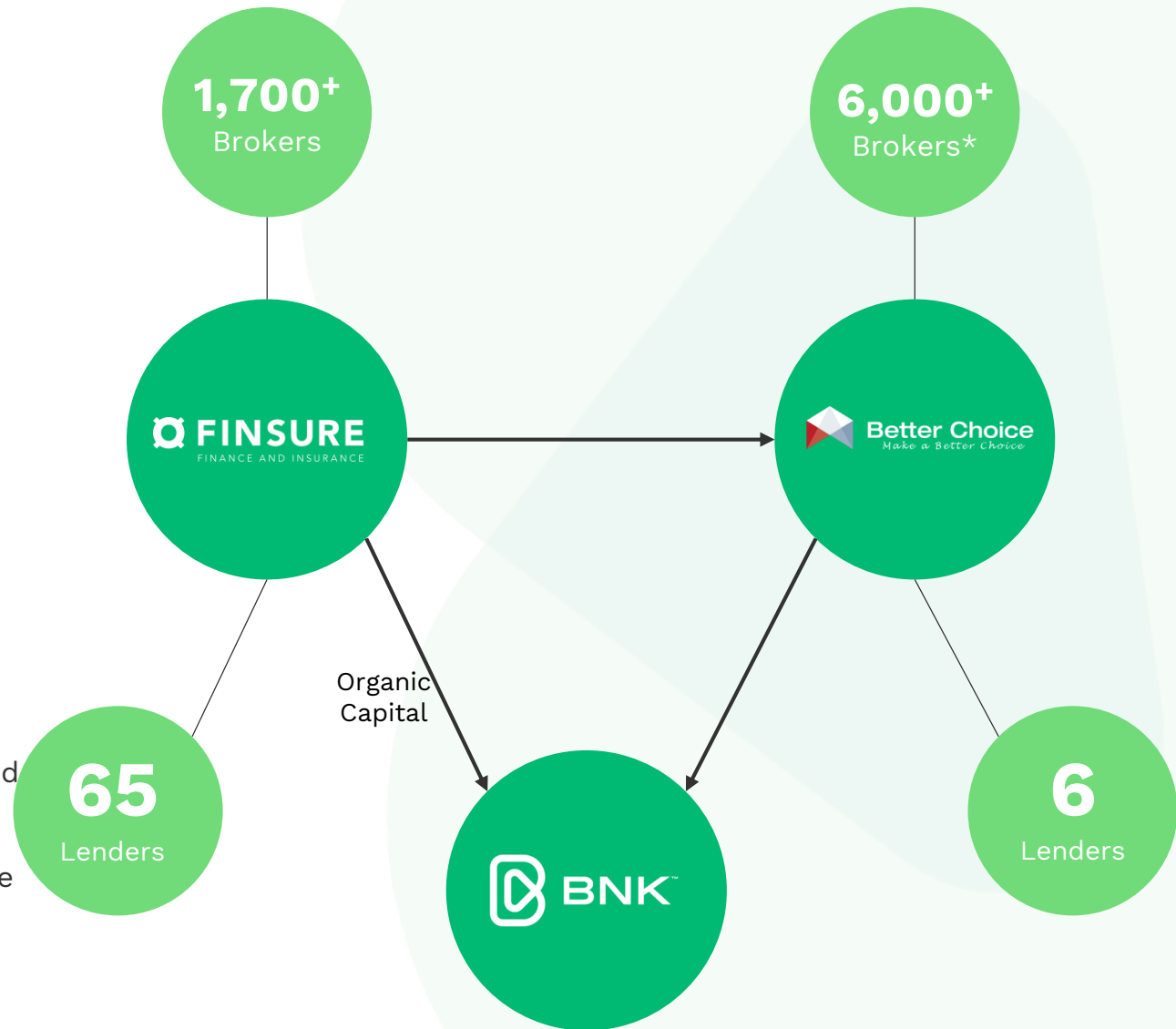
Group synergies

Finsure is a conduit that connects over 1,700 brokers with over 60 lenders. Brokers originate loans through the Finsure platform and Finsure derives revenue from commissions and value-added services.

Better Choice is a non-bank lender originating home loans under its own brand, sourced from over 6,000 brokers. Better Choice completes the loan assessment, documentation and settlement and loans are off balance sheet with 6 funders. A net margin is earned on these loans.

BNK is a bank that provides loans and deposits to retail and SME customers, and is one of Better Choice's funders. Loans are predominantly on balance sheet and as a result higher net interest margins are earned.

*Includes Finsure brokers



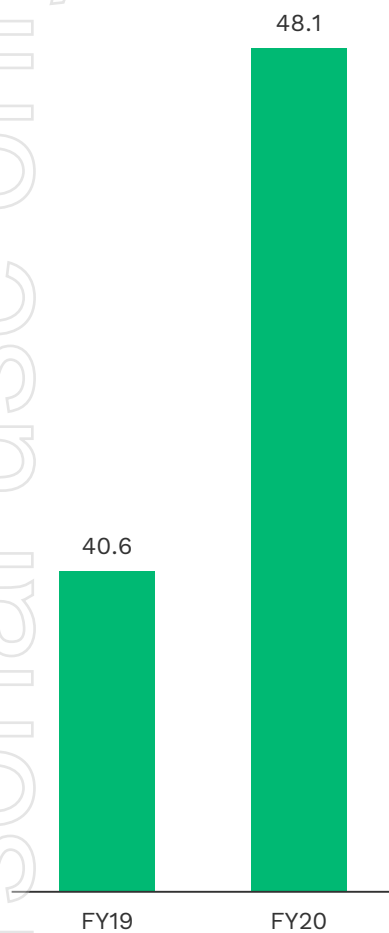
Continual Growth

Reaching new heights across the Group

Group Loan Balances

\$48.1b*

↑ Up 18% YoY



* As at 30 June 2020

Finsure settlement volumes of \$15.6b

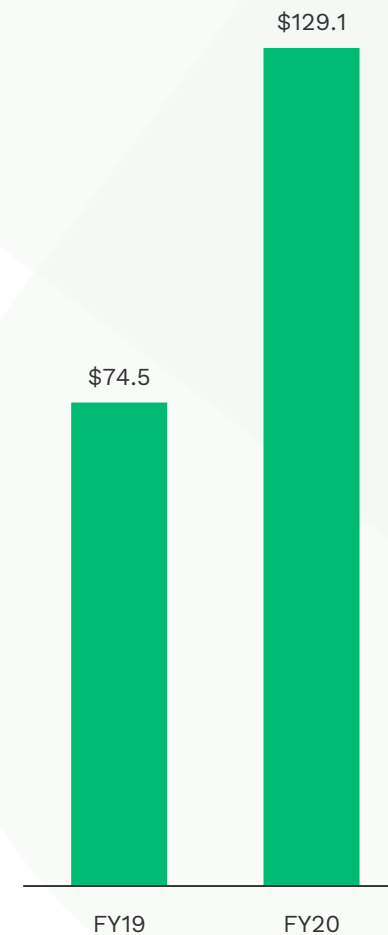
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↑ up 23% YoY



BNK Bank Settlements*

↑ Up 73%

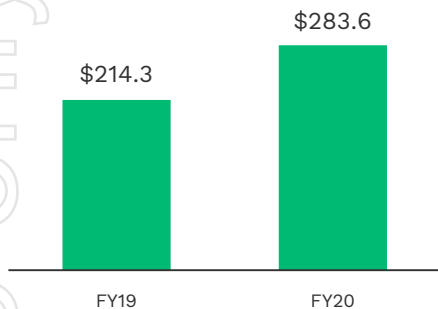


Strong and Stable

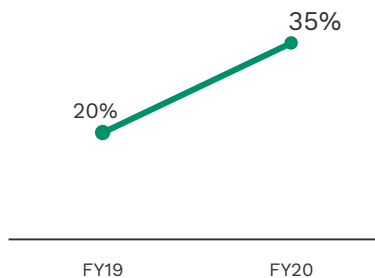
Sustainable and strong foundations

BNK Bank Loan Book*

↑ Up 32%

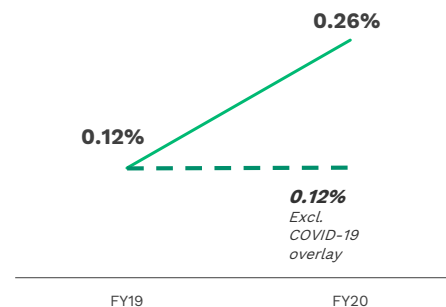


Higher % of low-cost deposit accounts improving margins*



Transaction Account mix

Prudent Loan-Loss Provision Rate*



Confident and profitable navigation of COVID-19 crisis



Material progress on diversification of funding via off-balance sheet warehouse and securitisation programs



Well Capitalised CAR% as at Jun20



* As at 30 June 2020

Outlook



✓	Fast growing with majority of business revenue recurring	Net Income (incl. NPV) of \$35.5m in FY20, up 17% YoY (+8% on a pro-forma basis). Increase in fee & other income (majority recurring) mix, up from 31% to 33% of all net revenue.
✓	Loan growth leveraging Finsure and Better Choice platforms	Ability to distribute BNK loans through Finsure's 1,740 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 21.2% (As at Jun20) maintaining robust portfolio strength. Minimum liquidity holdings (MLH) ratio 26.5%, enabling safe navigation of COVID-19.
✓	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	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.
✓	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 & 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. Dividend policy approved by Board of Directors.

Transaction Details

Proposed subordinated debt structure

Transaction details

BNK Banking Corporation Limited will be the issuer of the proposed Subordinated Notes.

BNK Banking Corporation Limited is an ASX listed entity regulated by APRA and ASIC.

Issuing subordinated notes by BNK improves the overall regulatory capital efficiency of the APRA Level 2 group.

BNK owns 100% of the equity of Finsure Group and Better Choice Home Loans.

BNK does not issue debt or have any external borrowings aside from the proposed subordinated notes.

Finsure Group and Better Choice Home Loans does not issue debt or have any external borrowings.

Capital ratios comfortably above regulatory minimums and supported by earnings growth and securitisation (in progress).

Indicative comparative pricing on wholesale Tier 2 issuance since May 2020

Issuer	Size \$m	Issue Margin	Trading Margin	Gross Price 16 Dec 20	New Issue Margin Set	Call Date	Maturity	ISIN	CET1 30 Jun 20	Total Capital 30 Jun 20
MyState	25	4.35%	3.69%	\$103.74	1-Jul-20	10-Jul-25	10-Jul-30	AU3FN0054904	11.07%	13.01%
Auswide	12	3.95%	3.47%	\$102.16	4-Sep-20	11-Sep-25	11-Sep-30	AU3FN0056040	11.09%	12.96%
Heritage	50	3.50%	3.11%	\$101.59	16-Jun-20	24-Jun-25	24-Jun-30	AU3FN0054771	13.06%	14.82%
Bendigo	150	1.95%	1.85%	\$100.63	11-Nov-20	19-Nov-25	19-Nov-30	AU3FN0057410	9.25%	13.61%
Macquarie	750	2.90%	1.84%	\$104.63	21-May-20	28-May-25	28-May-30	AU3FN0054284	13.20%	18.80%
NAB	1,250	1.70%	1.57%	\$100.77	10-Nov-20	18-Nov-25	18-Nov-30	AU3FN0057402	11.60%	15.80%
ANZ	1,250	1.85%	1.57%	\$101.50	19-Aug-20	26-Feb-26	26-Feb-31	AU3FN0055687	11.13%	15.80%
CBA	1,400	1.80%	1.54%	\$101.21	1-Sep-20	10-Sep-25	10-Sep-30	AU3FN0055992	11.56%	17.55%

SOURCES: BLOOMBERG, YIELDBROKER, COMPANY DATA

Proforma capital adequacy calculation as at 30 June 2020

BNK Capital Adequacy	30 Jun 20		Pro Forma	
	\$m	% RWA	\$m	% RWA
Common Equity Tier 1	31.28	20.92%	31.28	20.92%
Additional Tier 1	0.00	0.00%	0.00	0.00%
Tier 1	31.28	20.92%	31.28	20.92%
Tier 2	0.45	0.30%	10.05	6.72%
Total Capital	31.73	21.22%	41.33	27.64%
Risk Weighted Assets	149.52		149.52	

Proposed subordinated debt structure

Transaction details

Issuer	BNK Banking Corporation Limited
Documentation	Information Memorandum
Instrument	Subordinated Notes
Offer Size	A\$10,000,000
Structure	10NC5
Format	Floating (quarterly payments) at the aggregate of 90 day BBSW plus the Margin
Margin	[+500-550bps]
Settlement	Austraclear
Registrar	Austraclear Services Limited
Listing	Unlisted
Tax	The Issuer intends to issue the Subordinated Notes in a manner which will satisfy the public offer test under s128F of the Income Tax Assessment Act 1936 (Cth)
Governing Law	New South Wales, Australia

Proposed subordinated debt structure

Transaction details

Settlement Date	[x] January 2021
Optional Redemption Dates – Issuer Call	<p>[x] January 2026 and each Interest Payment Date thereafter.</p> <p>Early redemption requires the prior approval of APRA and satisfaction of certain other conditions. See ‘Early Redemption’ below.</p>
Maturity Date	[x] January 2031
Ranking	<p>The Notes will be direct, subordinated and unsecured obligations of the Issuer and rank:</p> <ol style="list-style-type: none">1. ahead of the claims of Junior Ranking Creditors;2. equally among themselves and with the claims of holders of Equal Ranking Securities; and3. behind all claims of Senior Creditors and all liabilities mandatorily preferred by law. <p>The Notes are not deposit liabilities of the Issuer for the purposes of the Banking Act, are not protected accounts for the purposes of the Financial Claims Scheme established under Part II of the Banking Act and are not guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction or by any other person.</p>
Regulatory Treatment	<p>The Notes will be eligible for inclusion as Tier 2 capital (as described in APRA’s prudential standards) and be able to absorb losses at the point of non-viability. Accordingly, if a Non-Viability Trigger Event occurs, the Notes must be either</p> <ol style="list-style-type: none">(i) Converted into ordinary shares of BNK or(ii) Written-off and all rights and claims of the Holders will be terminated. The primary method of loss absorption will be Conversion subject to possible Write-off
Payment Subject to Issuer Solvency	<p>Prior to a Winding-Up, no amount of interest is payable by the Issuer in respect of the Notes unless at the time of, and immediately after, payment the Issuer is Solvent</p>

Proposed subordinated debt structure

Transaction details

Early Redemption	<p>Any early redemption is subject to a number of conditions which are set out in the Conditions, including, in all cases, APRA's prior approval (which is at the discretion of APRA and may not be given).</p> <p>In addition, the Issuer would not be permitted to redeem the Notes prior to the Maturity Date unless:</p> <ul style="list-style-type: none">• before or concurrently with the redemption, the Issuer replaces the Notes with a capital instrument which is of the same or better quality (for the purposes of APRA's prudential standards as they are applied to the Group at the relevant time) and the replacement of the relevant Notes is done under conditions that are sustainable for the income capacity of the Issuer; or• the Issuer obtains confirmation from APRA that APRA is satisfied, having regard to the capital position of the Group, that the Issuer does not have to replace the Notes the subject of the redemption.
Non-Viability Trigger Event	<p>A Non-Viability Trigger Event occurs when APRA notifies the Issuer in writing that:</p> <ol style="list-style-type: none">1 Conversion or Write-off of all or some of the Notes, or conversion or write-off of all or some of the capital instruments of the Issuer is necessary because without the conversion or write-off, APRA considers that the Issuer would become non-viable; or2 a public sector injection of capital, or equivalent support, is necessary because, without it, the Issuer would become non-viable
Conversion Following a Non-Viability Trigger Event	<p>The Notes will be Converted into Ordinary Shares of BNK Banking Corporation Limited, or Written-off, on the occurrence of a Non-Viability Trigger Event. If, for any reason, Conversion of any Notes does not occur in accordance with the Conditions, then the Notes will be Written-off and terminated.</p>

Proposed subordinated debt structure

Transaction details

Events of Default	<p>An Event of Default occurs if:</p> <p>a) the Issuer fails to pay:</p> <ol style="list-style-type: none">1) any amount of principal due and payable in respect of the Note within 10 days of its due date; or2) any interest or other amount due and payable in respect of the Notes within 30 days of its due date, <p>in either case, other than as permitted by the Conditions (Payment Default); or</p> <p>b) an order is made for the winding up of the Issuer either by way of:</p> <ol style="list-style-type: none">1) a court order is made by a court of competent jurisdiction in Australia for the winding up of the Issuer and that order is not successfully appealed or permanently stayed within 60 days of the making of that order; or2) an effective resolution for the winding up of the Issuer is passed by the shareholders of the Issuer entitled to vote on such resolution, <p>in either case, other than for the purposes of a consolidation, amalgamation, merger or reconstruction which has been approved by the shareholders of the Issuer or by a court of competent jurisdiction under which the surviving entity has assumed or will assume expressly or by law all obligations of the Issuer in respect of the Notes (Winding Up Default).</p>
Consequences of an Event of Default:	<p>Holders may not accelerate the Notes except in the event of a Winding Up Default, and may not institute proceedings to recover an amount due and payable but unpaid in respect of the Notes unless the Issuer is able to make the payment and remain solvent.</p>
Transfer Procedure	<p>Notes may only be transferred in whole and by a transfer and acceptance form in accordance with the Conditions. Notes in the Austraclear system may only be transferred in accordance with the rules of the Austraclear system.</p>