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BNK Banking Corporation ASX:BBC FY2021 Half Year Results

February 2021



BNK™



Better Choice
Make a Better Choice



FINSURE



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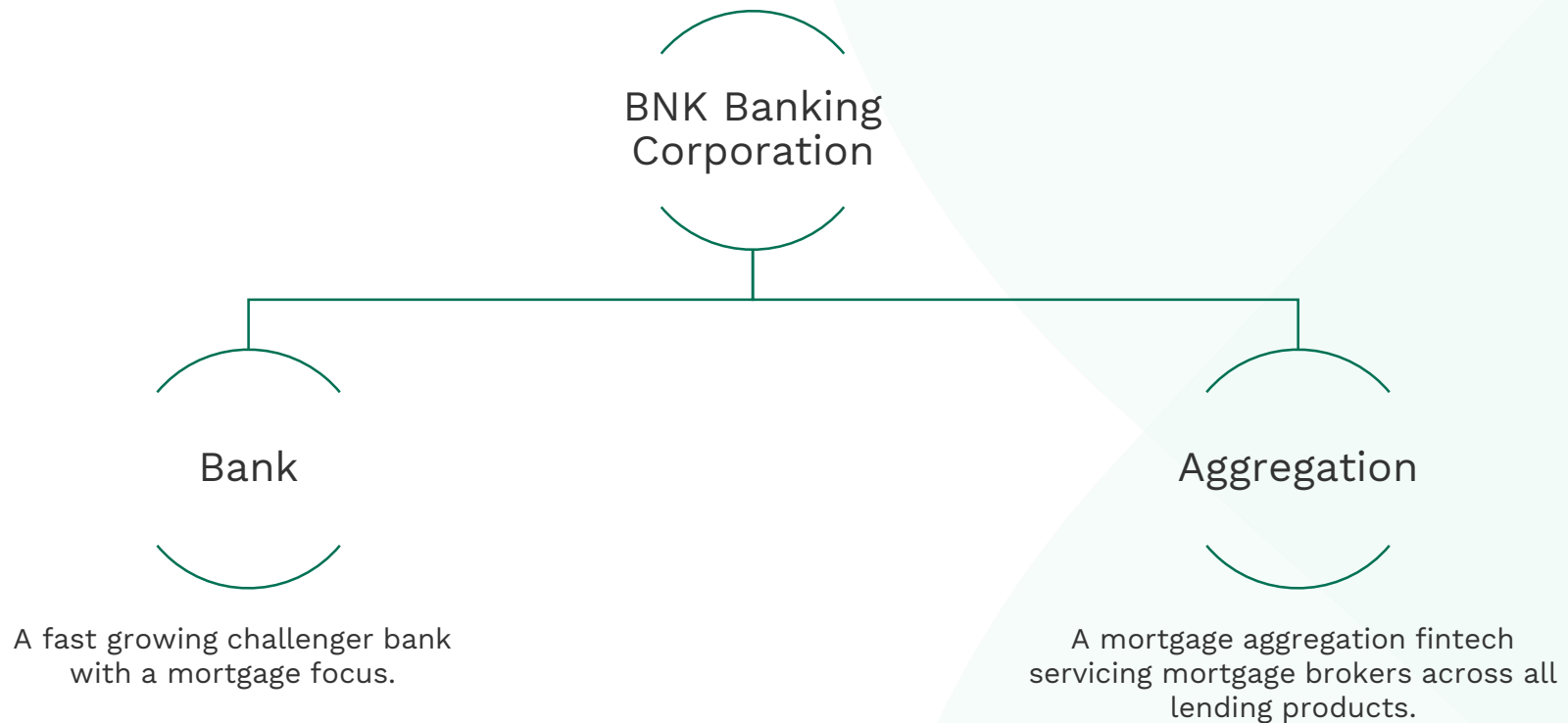
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FY2021 Half Year Results

Brett Morgan
Chief Executive Officer

BNK Banking Corporation

Our businesses



Business Snapshot 1H21

Bank

Aggregation



Total Lending
Settlements

\$193m

Of which On Balance
Sheet Settlements

\$42m

Aggregation Settlements

\$9.9b



Lending
Portfolio

\$2.4b

Of which On Balance
Sheet Lending

\$306m

Aggregation Book

\$50b



Deposit
Book

\$391m

Of which Transaction
Accounts

\$255m

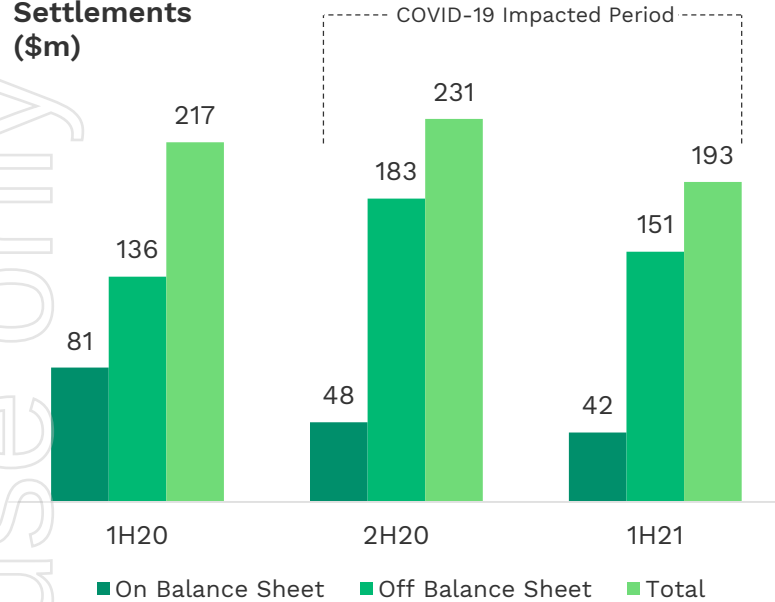
Finsure Brokers

1,910

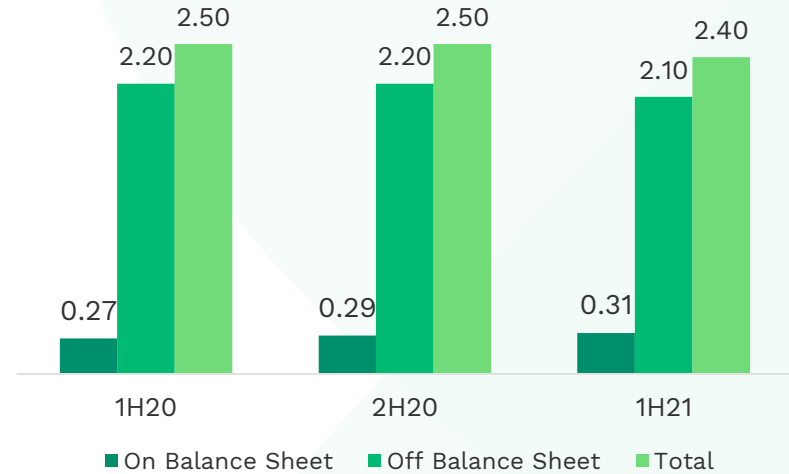
Bank Highlights 1H21

Given the uncertain impact from COVID, BNK proactively reduced on balance sheet lending in 2H20 and 1H21 to conserve capital

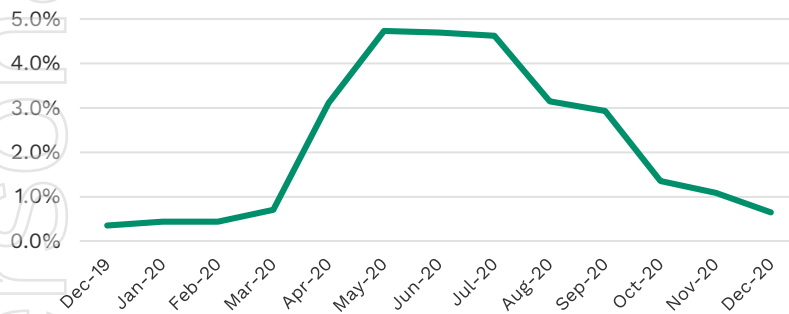
Settlements (\$m)



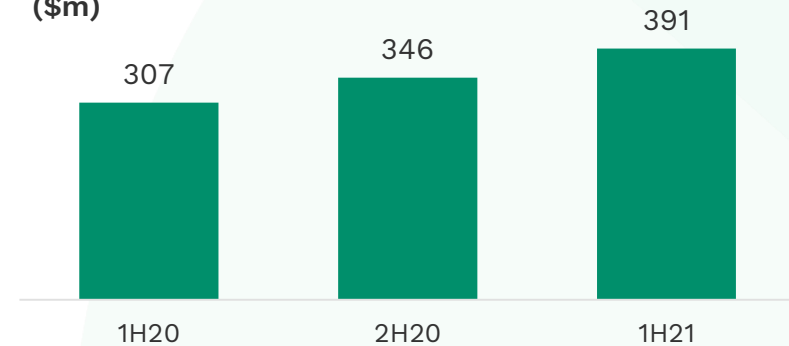
Lending Portfolio (\$b)



COVID-19 Relief Packages (% of customers)



Deposit Portfolio (\$m)



Bank Highlights 1H21



New C-Suite and key senior hires complementing existing management strength



Recommended on balance sheet lending growth



T2 subordinated note launched to support lending growth



Award winning product range



Implemented key loan origination initiatives supporting broker experience and delivering operational efficiencies



Continued growth in low cost deposit generation



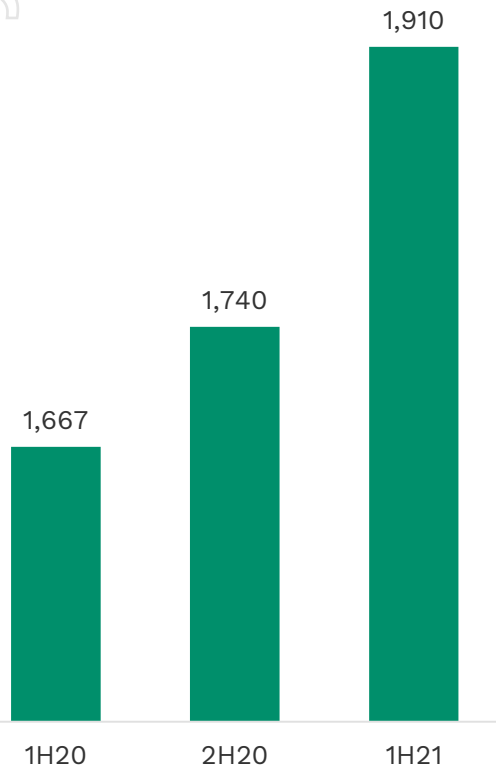
COVID impact negligible with relief packages down to 0.7% of balances (as at 31 Dec 2020) and continues to decrease



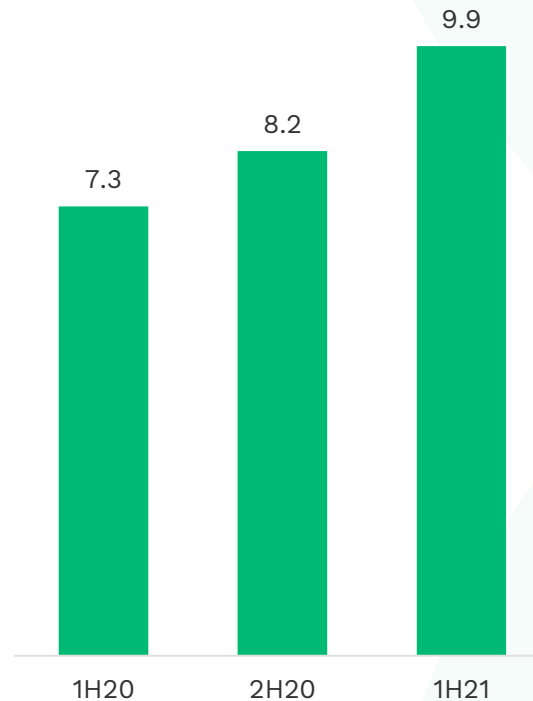
ATM recovery with insurer finalised

Aggregation Highlights 1H21

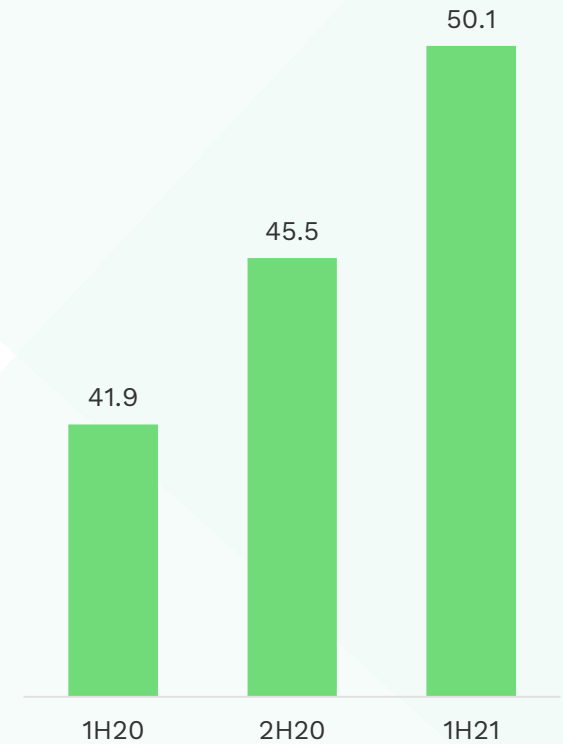
**Broker Numbers
(#)**



**Settlements
(\$b)**



**Loan Book
(\$b)**



- Continued settlement, book and broker growth
- Proprietary “Infynity” platform a successful driver of broker recruitment
- Services store introduced enabling brokers to better run their business

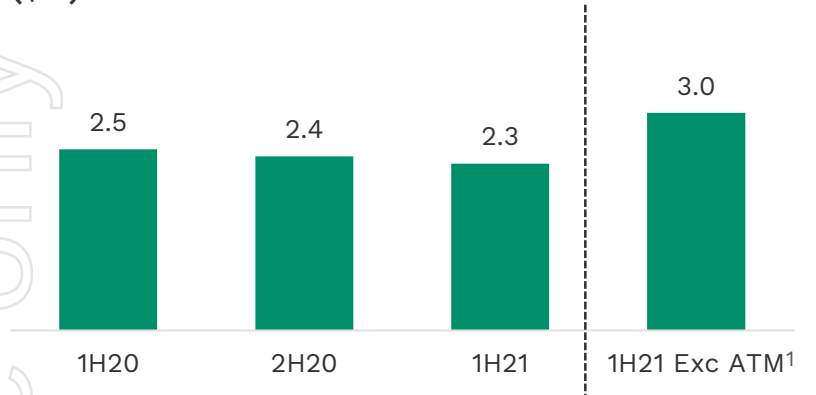
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FY2021 Half Year Results

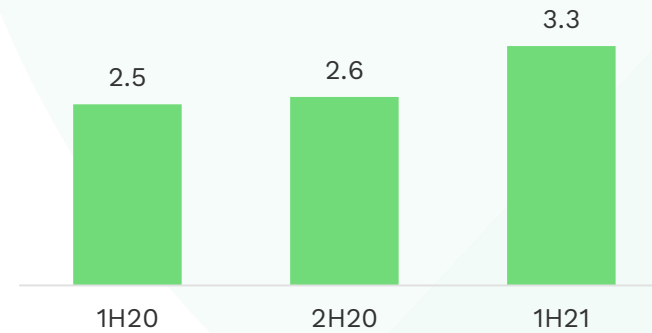
Andrew Kitchen
Chief Financial Officer

Financial Performance

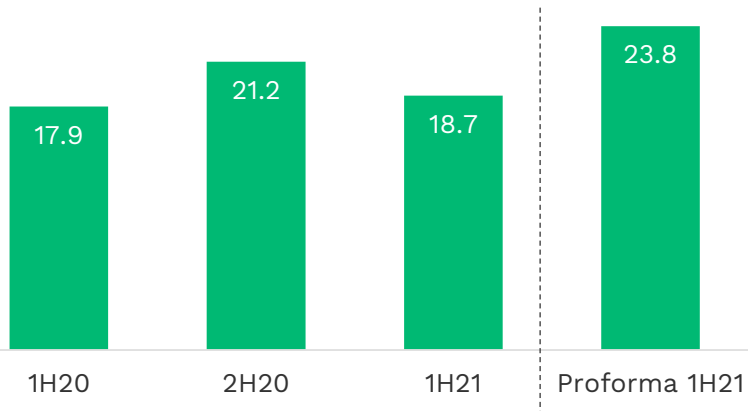
Underlying NPAT
(\$m)



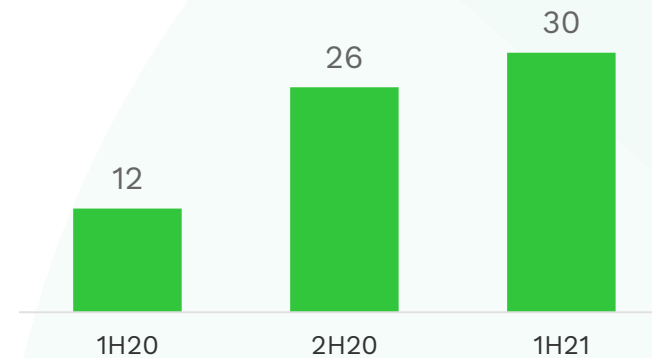
Net Interest Income
(\$m)



CAR RATIO (LEVEL 2) %²



Credit Provisions³
(bps)



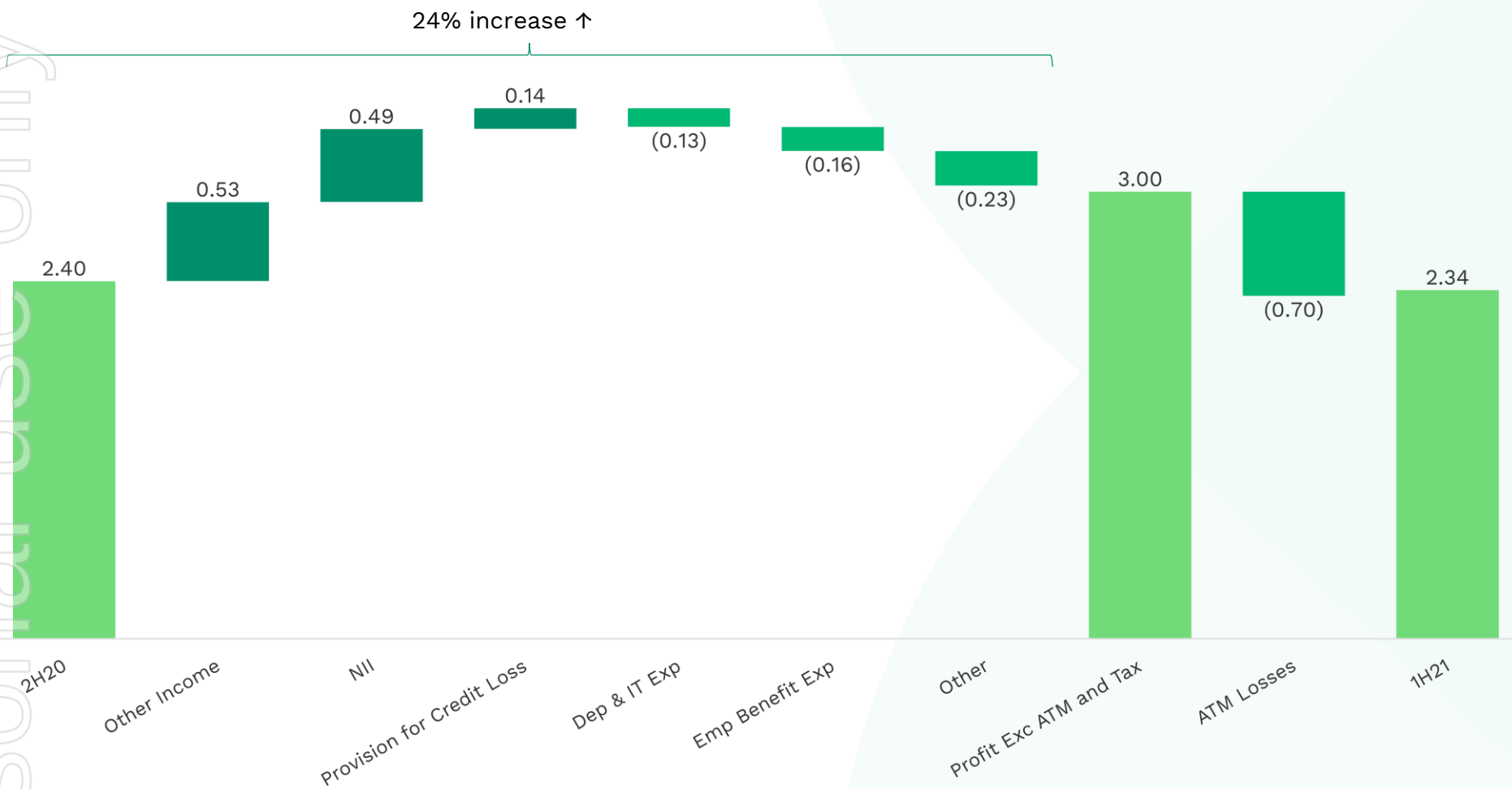
1. ATM Bailment one-off write off

2. Pro-Forma includes impact of Tier 2 Hybrid Capital Issuance

3. IEL = Internal Expected Loss, long run loss rate as a % of GLA

Financial Performance (cont.)

Underlying NPAT (\$m)



Group Financial Snapshot

Solid result in a challenging environment

	1H21	Change ¹
Group Underlying NPAT excl. ATM (\$000's)	2,969	↑ 23.7%
Group Underlying NPAT (\$000's)	2,338	↓ 2.5%
Cost to Income Ratio (Exc. ECL)	79%	↓ 0.3%
Statutory NPAT (\$000's)	2,176	↓ 6.4%
Bank Loan Spot Book Size (\$000's)	306	↑ 7.4%
NIM (Average)	163bps	↑ 23bps
Capital Adequacy Ratio	18.7%	↓ 2.6%
MLH (Spot)	25.8%	↓ 0.7%
Expected Credit Loss (ECL)	30bps	↑ 4bps

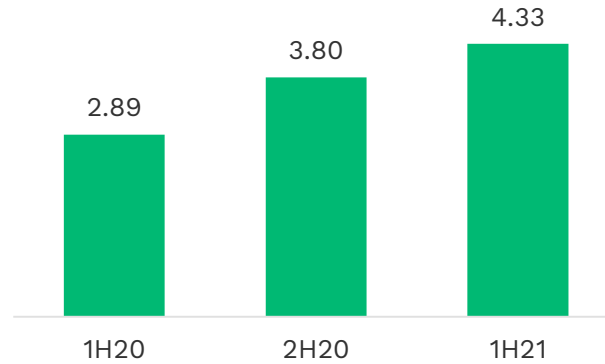
1. Change from previous half

Segment Performance

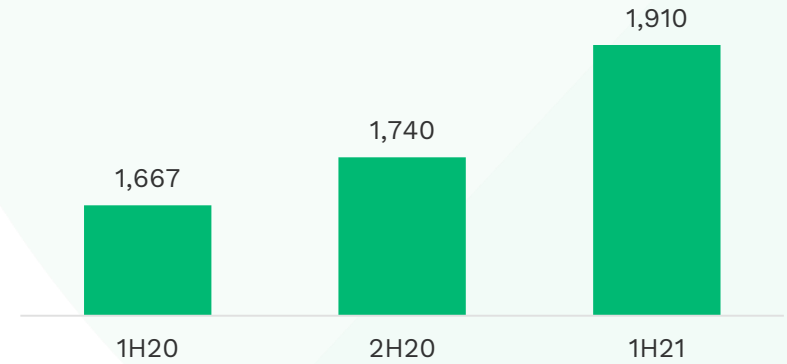
Aggregation and Bank



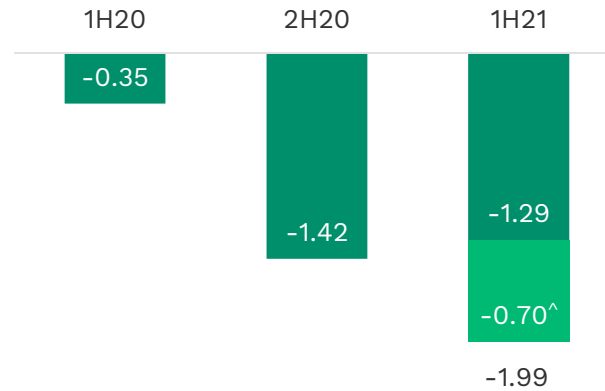
NPAT* (\$m)



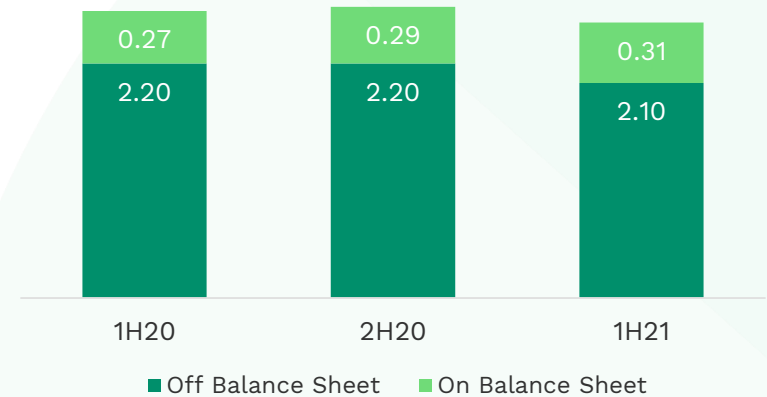
Broker Numbers (#)



NPAT (\$m)



Loan Book (\$b)



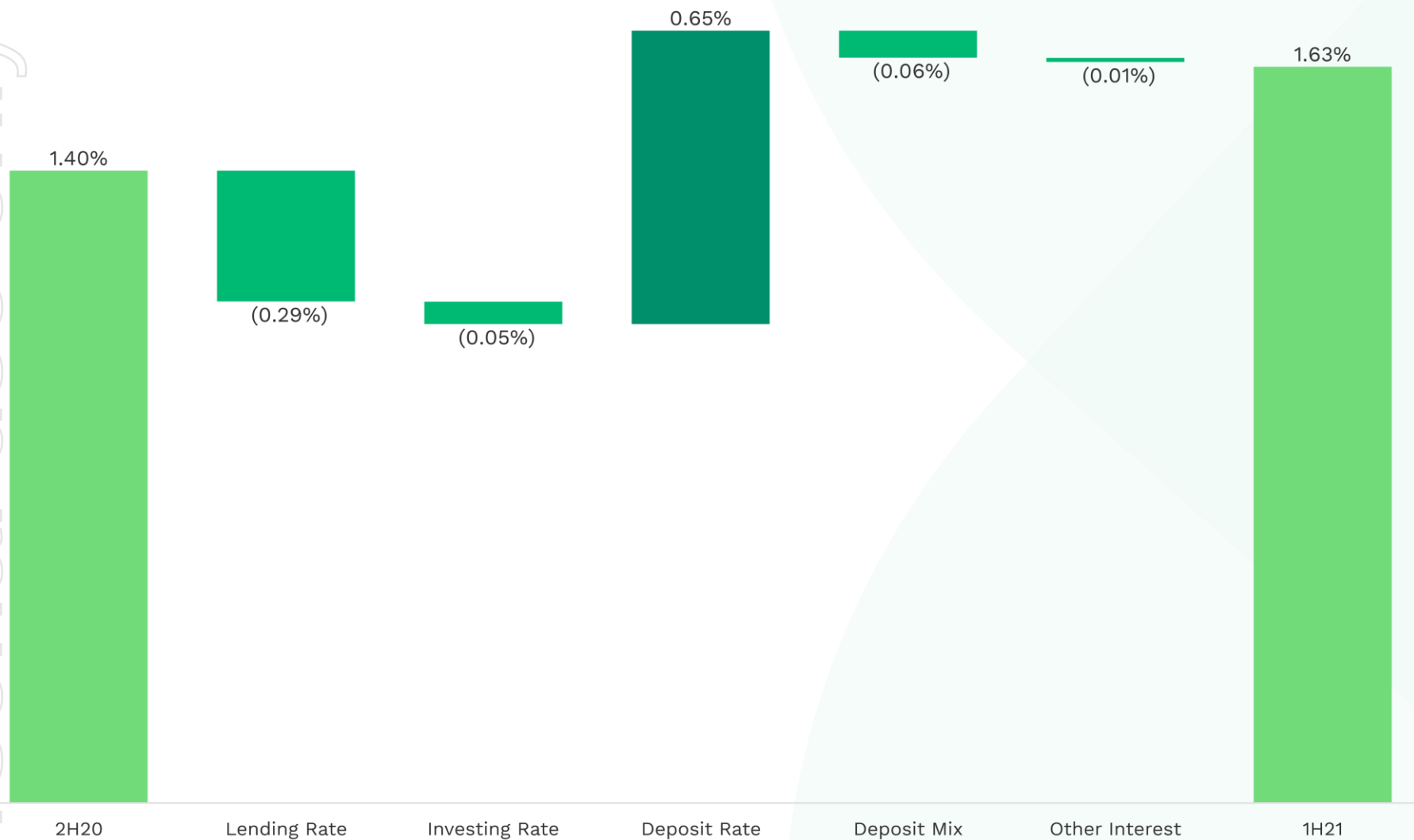
^Loss from ATM and tax

* Underlying NPAT

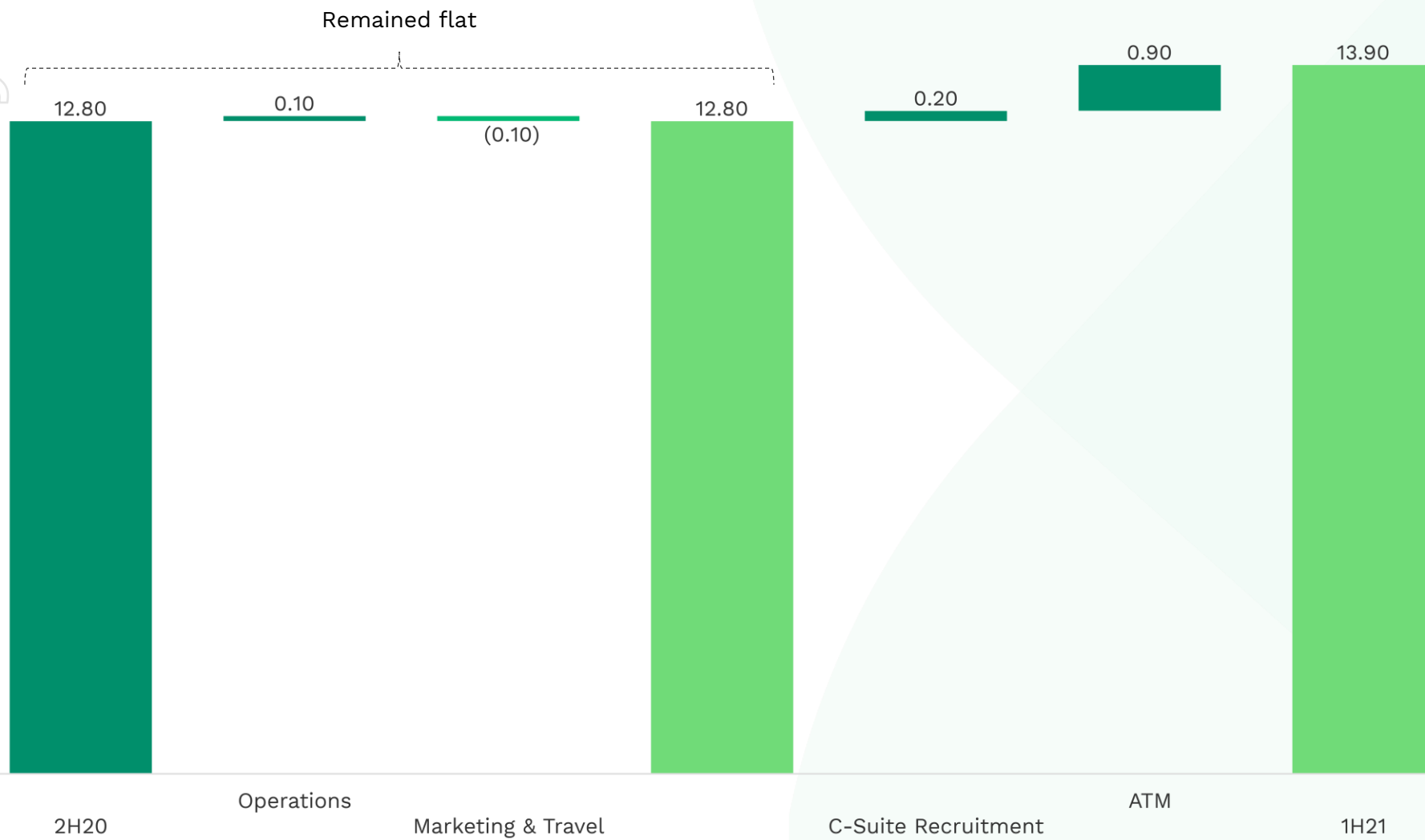
Net Interest Margin

Solid improvement in 1H21

■ Increase ■ Decrease ■ Total

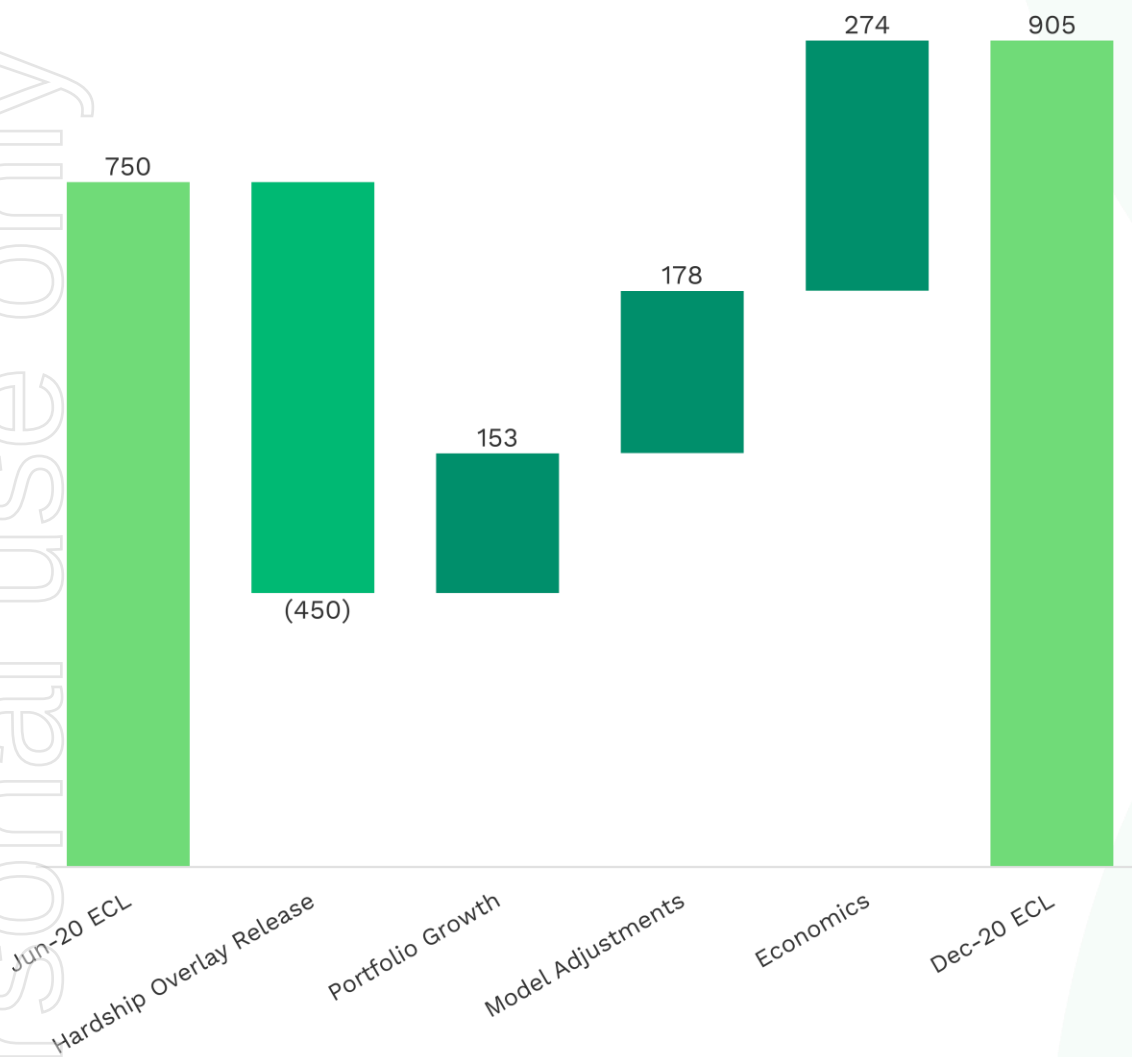


Expenses (\$m)



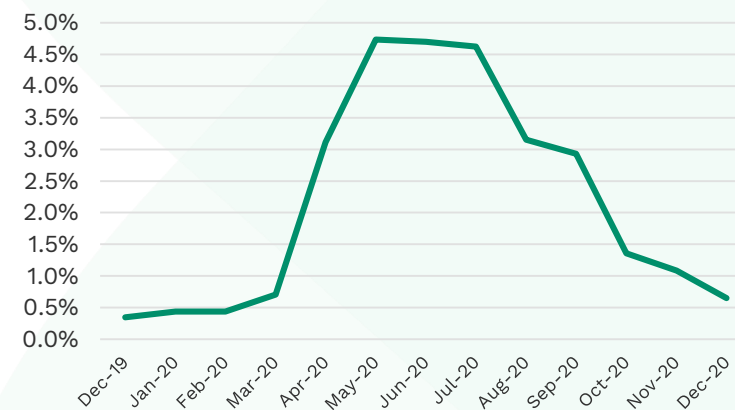
Expected Credit Loss Provisions

ECL Changes Jun-20 to Dec-20 (\$ 000's)



	1H20	2H20	1H21
Estimated Credit losses (bps)	12	26	30
GDP growth (%)	2.2	-6.4	-3.8^
Unemployment (%)	5.1	7.4	6.6
Residential property prices (\$ 000's)	558	554	574

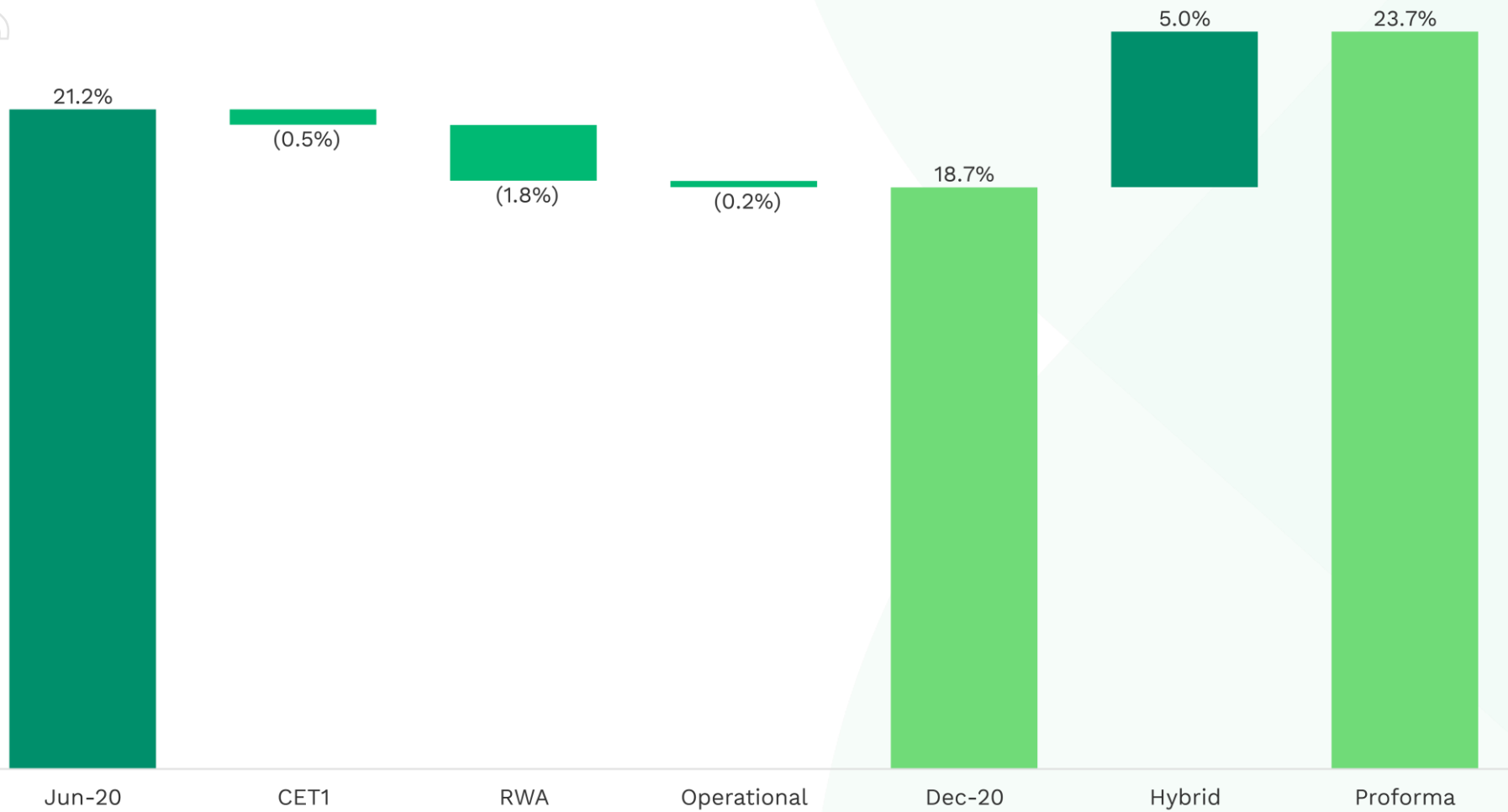
COVID-19 Relief Packages (% of customers)



^Sep-20 Quarter End

Capital

Capital Adequacy Ratio (CAR)



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1H21 Highlights & Outlook

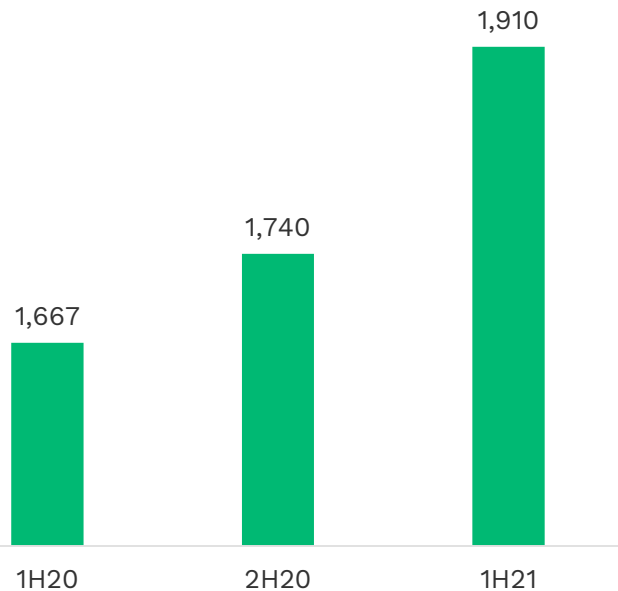
Aggregation Highlights

Continued growth

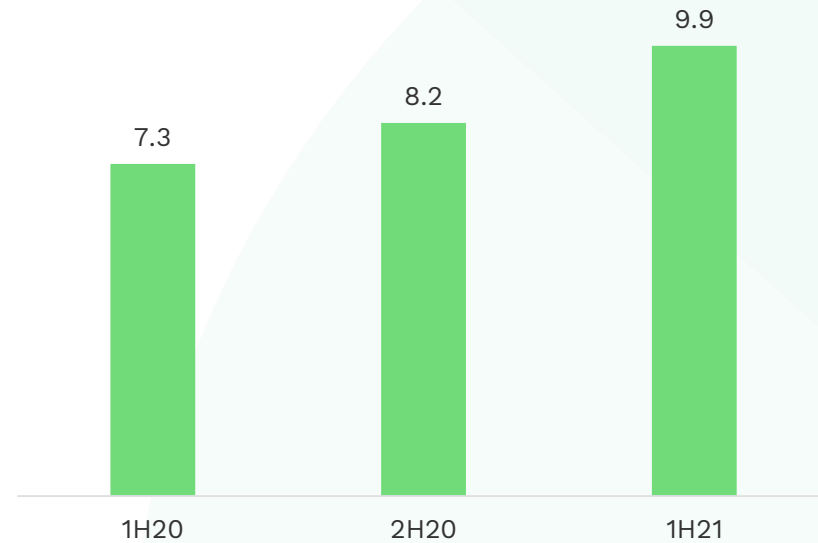
Finsure to continue to drive profitable growth via broker acquisition and adjacencies

- Core businesses in sync with key market trends
- Market disruption providing tailwinds
- Profitable growth to continue via broker growth and additional fee revenue
- Continue to evolve market leading technology to underpin value prop and scale

**Total Broker Recruitment
(#)**



**Settlements
(\$b)**



Proprietary Technology Platform

Key to Finsure's Success

Finsure's proprietary Customer Relationship Management (CRM) system 'Infynity' utilises the latest cloud based technology to give our brokers market leading business tools.

Finsure continues to build new features to maintain technology leadership.



During 1H21 the following enhancements to Infynity were made;

- ✓ Launch of eLearning Platform with live streaming and webcasts to help educate our brokers remotely
- ✓ Introduced a Services Store within the application which provides brokers with access to 3rd party applications, greatly increasing the services and applications available to brokers to run their business
- ✓ Provide real time reports on lender performance.
- ✓ Redesigned the customer experience for brokers to provide industry leading turn around times to improve customer outcomes.
- ✓ Customer serviceability assessment across entire lender panel in real time – also providing a view of maximum borrowing capacity (which can vary substantially by lender).
- ✓ A comprehensive broker and lender reporting suite
- ✓ Advanced dashboard enables broker to track entire business performance

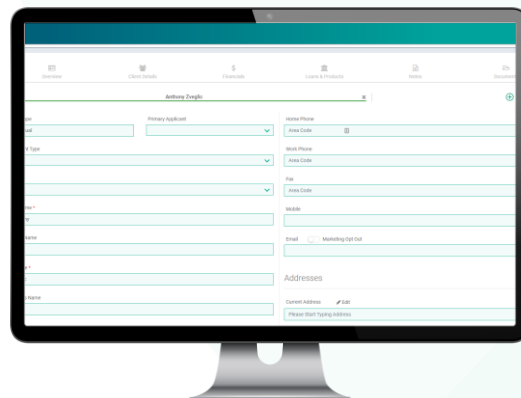
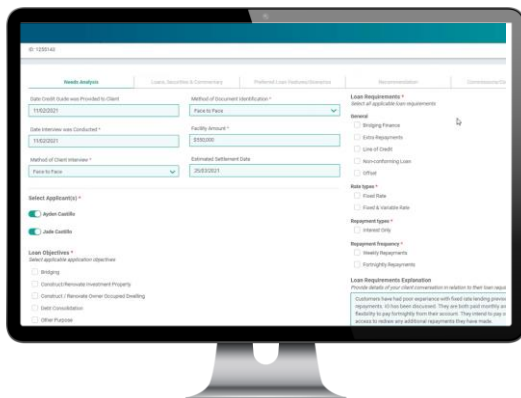
Platform allows customers to complete full application online, save & return later and provides tracking status 24/7

Finsure are confident Infynity is the industry benchmark for aggregator CRMs and will remain so for the foreseeable future

Proprietary Technology Platform

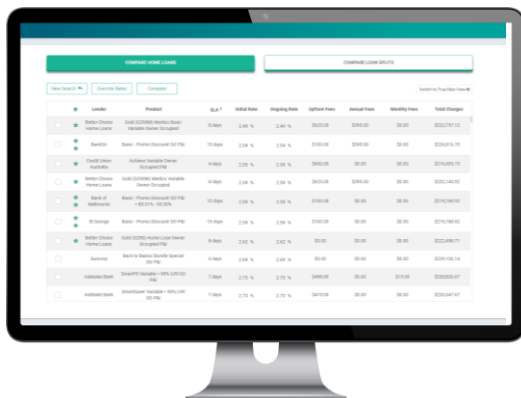
Finsure has replaced the offline home loan application process with technology

Dynamic questions allow for **accurate and detailed identification of borrower requirements** and goals

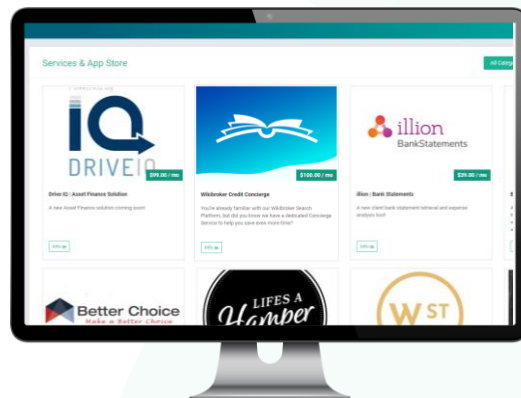


Advanced workflow allows brokers to **manage customer needs with minimal effort**

Instant product matches from a panel of over 4,500 bank & lender products to suit individual borrower needs



Lender	Product	Rate	Initial Rate	Repayment Rate	Repayment Period	Repayment Period	Repayment Period	Repayment Period
Bank of Queensland	Bank of Queensland Home Loan	5.49%	5.49%	5.49%	30 years	\$1,000,000	\$1,000,000	\$1,000,000
Bank of Queensland	Bank of Queensland Home Loan	5.49%	5.49%	5.49%	30 years	\$1,000,000	\$1,000,000	\$1,000,000
Bank of Queensland	Bank of Queensland Home Loan	5.49%	5.49%	5.49%	30 years	\$1,000,000	\$1,000,000	\$1,000,000
Bank of Queensland	Bank of Queensland Home Loan	5.49%	5.49%	5.49%	30 years	\$1,000,000	\$1,000,000	\$1,000,000
Bank of Queensland	Bank of Queensland Home Loan	5.49%	5.49%	5.49%	30 years	\$1,000,000	\$1,000,000	\$1,000,000
Bank of Queensland	Bank of Queensland Home Loan	5.49%	5.49%	5.49%	30 years	\$1,000,000	\$1,000,000	\$1,000,000
Bank of Queensland	Bank of Queensland Home Loan	5.49%	5.49%	5.49%	30 years	\$1,000,000	\$1,000,000	\$1,000,000
Bank of Queensland	Bank of Queensland Home Loan	5.49%	5.49%	5.49%	30 years	\$1,000,000	\$1,000,000	\$1,000,000
Bank of Queensland	Bank of Queensland Home Loan	5.49%	5.49%	5.49%	30 years	\$1,000,000	\$1,000,000	\$1,000,000
Bank of Queensland	Bank of Queensland Home Loan	5.49%	5.49%	5.49%	30 years	\$1,000,000	\$1,000,000	\$1,000,000



Technology platform allows product cross selling, **increasing additional revenue** for brokers and Finsure

Infynity connects to over 40 lenders allowing brokers to submit client applications.



Our 'Infynity Services Store' gives brokers access to 3rd party applications, and allows Finsure to earn additional revenue.



Over 8,000 loan lodgements to lenders per month

Proprietary Technology Platform

Infynity is a complete origination platform with proprietary architecture and sophisticated integrations

Distribution

National network of **1,900+ loan writers**

- ✓ Intuitive UX to assist users who aren't tech savvy

CRM Platform



Serviceability Calculator	Automated Compliance Benchmarking	In-built Marketing Campaign Tools
Realtime Analytics & Reporting	Centralised Data Repository	Intelligent API

- ✓ Proprietary architecture for serviceability engine and product management system.
- ✓ Secure and modern data storage with intelligent API for external integrations
- ✓ Sophisticated sales and marketing tools available to all users
- ✓ Market-leading compliance dashboard displaying real-time insights for all loan writers

Integrated Lender Partners*

Service Partners



- ✓ Mapped integration to NextGen's ApplyOnline® delivering direct access to Lender systems
- ✓ Property insights, credit information, bank statements, and utility bill comparison tools are just some of the integrations into Infynity.

*over 40 lenders on panel

Bank Highlights & Outlook

Balance sheet growth and margin transformation



Balance sheet growth
has recommenced



Revenue transformation
has commenced



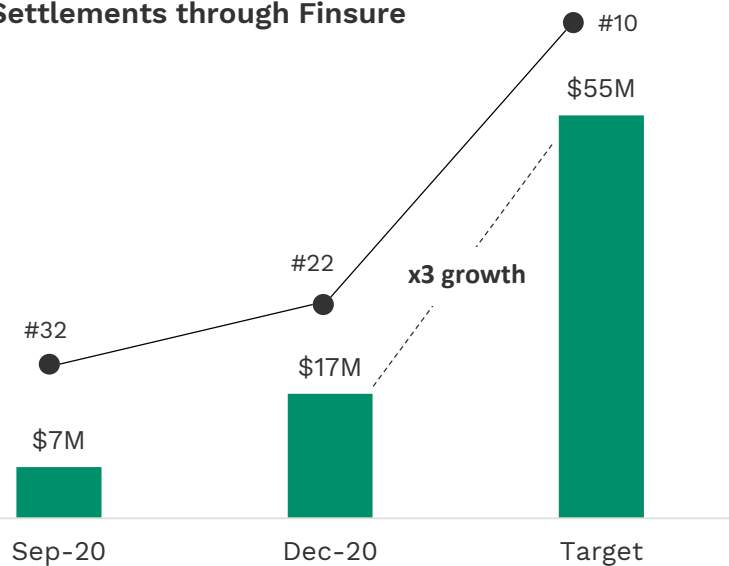
Deposit generation
capability in place

Bank Highlights & Outlook

Group and broader distribution in place supporting lending growth

Group Target: Become a Top 10 lender on the Finsure Panel

Bank Settlements through Finsure



Growing with Finsure



Leverage 1,900+ loan writers



Develop white label partnerships



Proactive product and policy development based on latest data insights

Broader distribution target: double volumes from other aggregation groups



Broker experience enhancements



New National Sales & Partnerships Manager



New aggregator partners



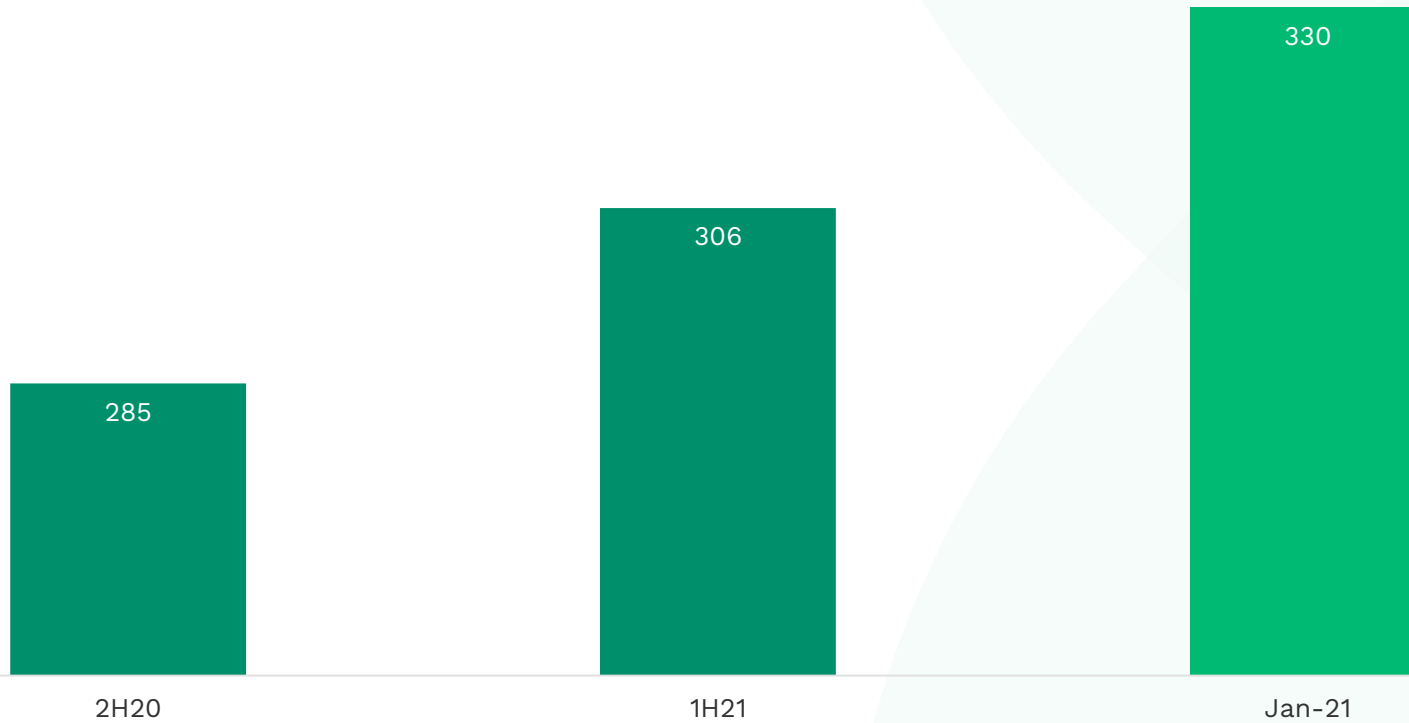
4,000+ loan writers

Bank Highlights & Outlook

Increased on balance sheet settlements driving NIM

\$29m settled on balance sheet in January, **driving balance sheet growth of 8% in a single month**

Lending Book
(\$m)

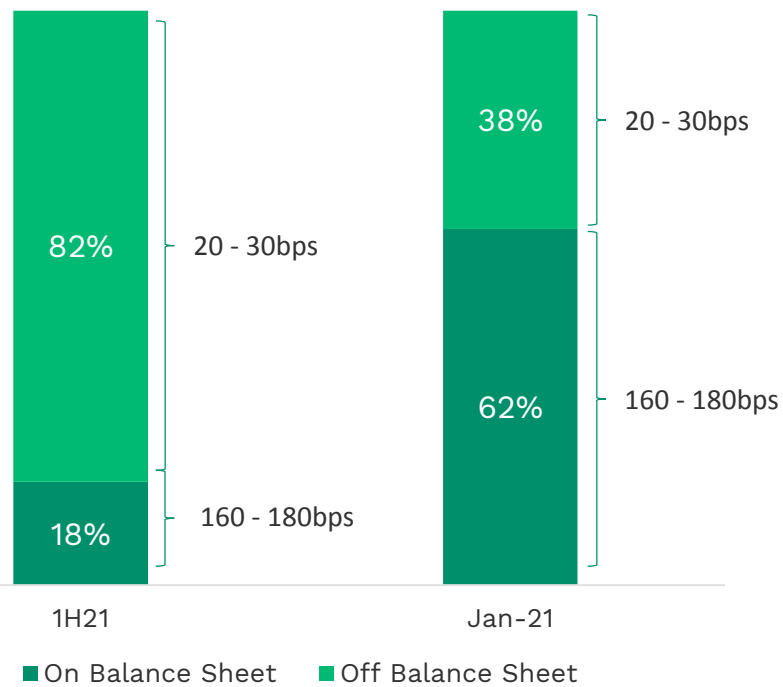


Bank Highlights & Outlook

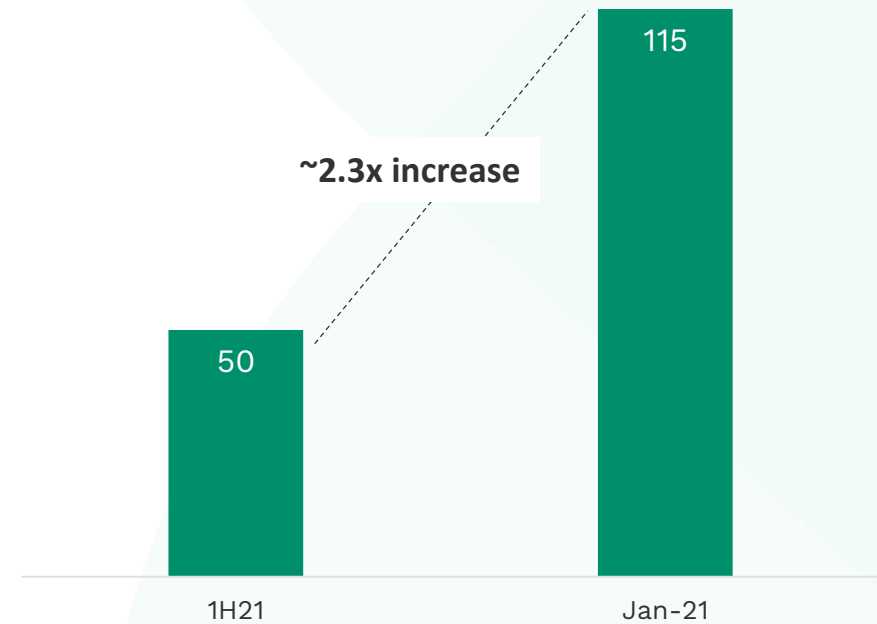
Margin transformation

Margin transformation has commenced through on balance sheet lending, including recent hybrid which increases capacity to lend by approximately 50%

Settlement Mix



Weighted Lending Return (bps)

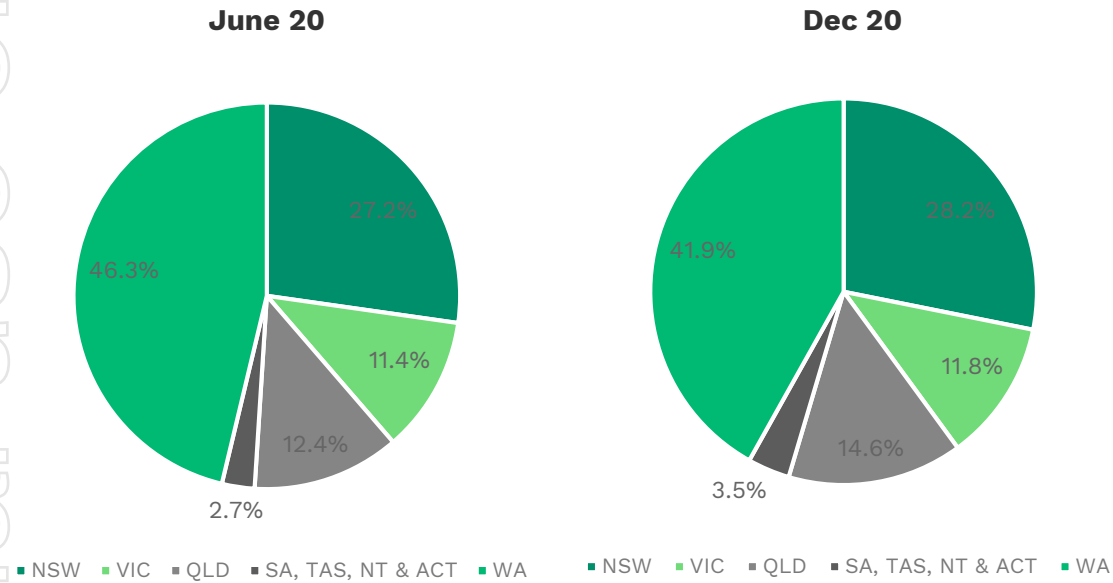


Bank Highlights & Outlook

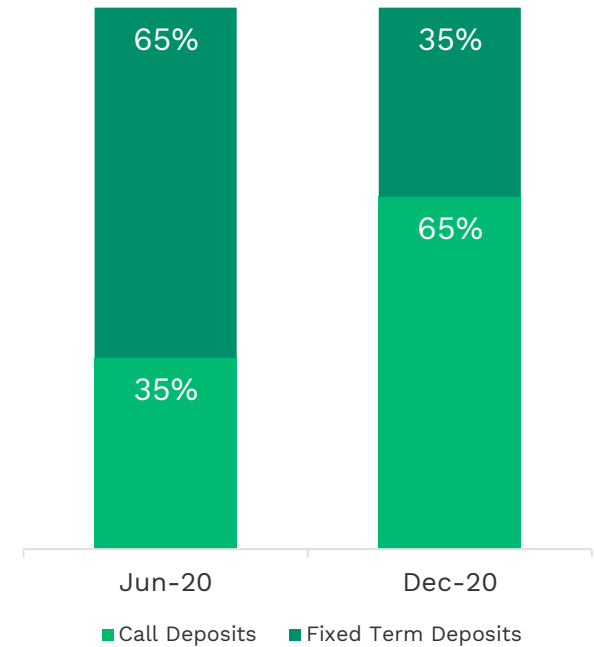
More diverse portfolio

Building a more diversified and lower risk portfolio

Geographical Lending Mix (%)



Transaction Deposit Mix (%)



Outlook Summary

Foundation for success.

Delivering profitable growth

Group underlying NPAT (exc ATM write-off) grew 24% to \$3M for 1H21
Aggregation profits continue to grow
Bank's balance sheet growth and margin transformation will deliver profitability in the near term

Fast growing fintech aggregator

Settlements and Book growth has been in excess of 20%

Demonstrated lending capability

Business currently has a lending book of ~\$2.4B
January 2021 settlements \$47m

Margin transformation commenced

On balance sheet lending grew by 8% in January
Continue to use other funding programs to generate fee income and for capital management

Low cost deposits

65% deposit base in low cost transaction accounts

Sound balance sheet

Capital Adequacy Ratio of 23.7% (proforma) providing further capacity for balance sheet growth.
Minimum liquidity holdings (MLH) ratio 25.8% (Dec-20 Spot) and successful navigation through COVID.

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Appendix

Appendix Reconciliation

	1H21	2H20	1H20
Statutory Net Profit After Tax (\$'000s)	2,176	2,325	2,999
Revenue adjustments			
• Non-recurring gain on sale of bonds	-	(270)	(882)
• ATM insurance receivable recognised	-	(2,917)	-
• Disposal of AAA	(57)	-	-
Expense adjustments			
• IFRS fair value adjustments from Finsure acquisition	289	286	194
• Restructuring and transition costs	-	-	36
• Operational loss	-	3,007	-
Tax effect of adjustments	(70)	(32)	196
Underlying Net Profit after Tax (\$'000s)	2,338	2,399	2,543
(Management-reported results)			

• 1H21

- **Net Other Income:** sale of AAA by Finsure earlier in the year.
- **Tax Effect:** tax effected position of above (to match back to Statutory)

• 1H20

- **Net Other Income:** sale of bonds at a profit.
- **Acquired Intangible Assets:** Amortisation of broker agreements and software acquired on merger.
- **Restructuring and Transition costs:** relates to merger costs.
- **Tax Effect:** tax effected position of above (to match back to Statutory)

• 2H20

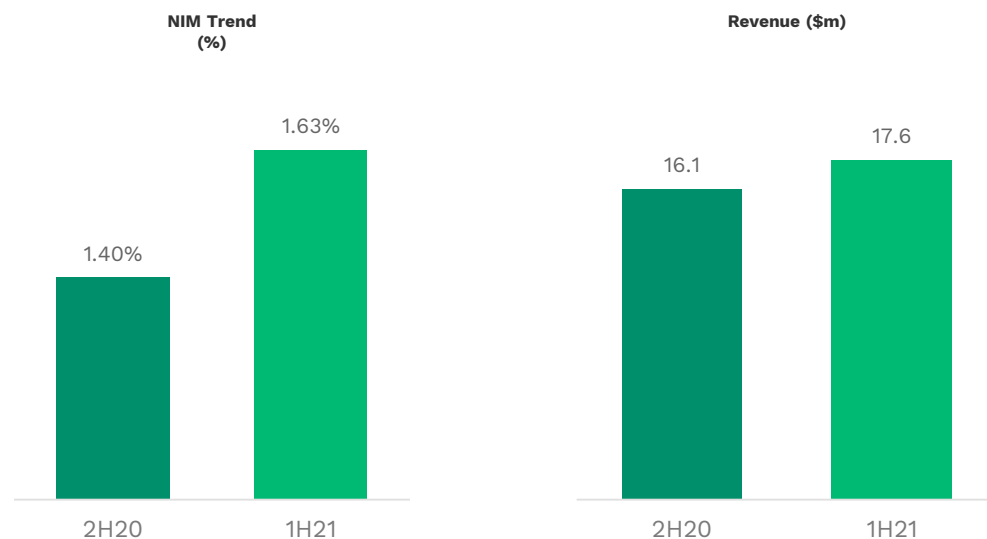
- **Net Other Income:** Recognition of ATM issue receivables \$2.9m and Bond sales \$270k. The ATM issue results in no 2H20 net NPAT impact, due to recognition of insurance claim receivables and ATM loss.
- **Tax Effect:** tax effected position of above (to match back to Statutory)

Profit & Loss Statement



- Operating leverage delivers a 1H21 underlying NPAT of \$2.3m representing -2.5% HoH decline, \$0.9m of which was driven from ATM loss.
- Net interest margin (NIM%) increased slightly 2bpts, actual interest spread continue to increase HoH as we reprice expensive TDs.
- Operating expenses impacted by ATM loss \$0.9m. After adjusting for abnormal items expenses were broadly flat

Underlying Group (\$m)	Aggregation	Wholesale	Bank	Eli	1H FY2021 ¹	2H 2020 ¹	\$ Var.	% Var.
Gross Revenue								
Commission Income/(Exp.)	150.3	7.7	-	(0.6)	157.5	149.6	7.9	5%
Interest Income/(Exp.)	0.0	0.0	4.9	0.1	5.0	5.1	(0.1)	-2%
Fees & Other Income	5.8	0.4	0.5	-	6.6	6.7	(0.0)	-1%
Total Gross Revenue	156.2	8.1	5.3	(0.5)	169.1	161.4	7.8	5%
Net Revenue								
Commission Income/(Exp.)	7.2	2.9	-	(0.5)	9.6	8.7	0.9	11%
Interest Income/(Exp.)	0.0	(0.0)	3.2	0.1	3.3	2.6	0.7	27%
Fees & Other Income	4.7	(0.0)	(0.1)	0.1	4.7	4.8	(0.2)	-4%
Total Net Revenue	11.9	2.9	3.1	(0.3)	17.6	16.1	1.5	9%
Operating Expenses								
Operating Expenses	5.6	3.5	4.9	-	13.9	12.8		
Loan Loss Charges	-	-	0.2	-	0.2	0.4		
Total Expenses	5.6	3.5	5.1	-	14.1	13.2	0.9	7%
Profit Before Tax	6.4	(0.6)	(2.0)	(0.3)	3.5	2.9	0.6	19%
Tax Expense	2.0	(0.1)	(0.6)	(0.1)	1.2	0.5		
Net Profit After Tax	4.4	(0.4)	(1.4)	(0.2)	2.3	2.4	(0.1)	-3%

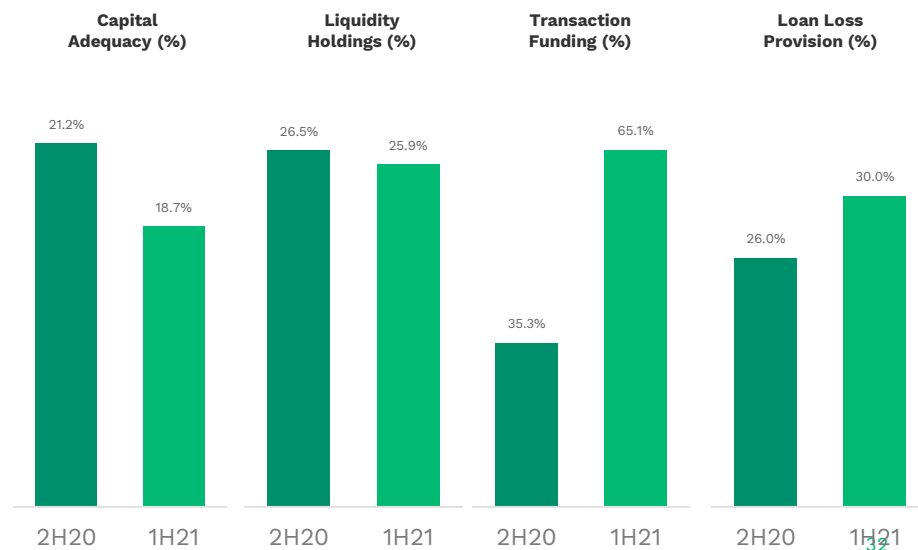


Balance Sheet



- Portfolio growth in Finsure resulting in growth in NPV Asset and Other Assets HoH.
- Growth in on balance sheet loans (up +7.8%) and deposit book (up +13.2%) despite a challenging 1H21
- Lower cost transaction account deposit mix improved to 65%
- \$132m of cash and liquid holdings
- Net Assets up +2.2% from profits
- Credit quality remains strong with underlying (excl. COVID-19 provisions) portfolio loan loss provision stable at 30bps

Group (\$m)	1H21	2H20	\$ Var.	% Var.
Assets				
Cash & Equivalents	132.4	93.1	39.4	42.3%
NPV Asset	443.3	387.2	56.1	14.5%
Loans & Advances	305.6	283.6	22.0	7.8%
Other Assets	74.5	75.4	(0.9)	(1.2%)
Total Assets	955.9	839.3	116.6	13.9%
Liabilities				
Deposits	391.3	345.8	45.5	13.2%
Other Liabilities	449.2	380.6	68.6	18.0%
Total Liabilities	840.5	726.4	114.1	15.7%
Equity				
Contributed Equity	104.1	103.4	0.7	0.7%
General & Other Reserves	1.0	1.3	(0.3)	(24.9%)
Retained Earnings	10.3	8.1	2.2	26.8%
Total Equity	115.4	112.9	2.5	2.2%



Experienced and Refreshed Management Team



Brett Morgan
BNK/BC CEO



John Kolenda
Finsure CEO



Andrew Kitchen
Chief Financial
Officer



Amber Smith
Chief Operating
Officer



Allan Savins
GM – Banking
& Wholesale



Simon Bednar
GM Aggregation



David Maher
Head of
Marketing



Dara Wettner
Chief Risk
Officer



Malcolm Cowell
Company
Secretary



Talia Swersky
Head of
Internal Audit

