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BNK Banking Corporation Limited ASX:BBC FY2021 Full Year Results

August 2021



BNK™



Better Choice
Make a Better Choice



FINSURE



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Investor Presentation FY21

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Brett Morgan

CEO – Banking & Wholesale

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John Kolenda

CEO – Finsure

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Brett Morgan

CEO – Banking & Wholesale

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Andrew Kitchen

Group CFO

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Brett Morgan

CEO – Banking & Wholesale

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Appendices

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Highlights & Strategy

Brett Morgan
Chief Executive Officer

Solid result across all key metrics

Underlying NPAT slightly ahead of guidance

		YoY change
Underlying NPAT	\$7.1m	↑ 44.1%
Cash NPAT	\$2.1m	↑ 46.8%
Statutory NPAT	\$5.7m	↑ 48.0%
Underlying EPS	7.4c	↑ 29.1%
Net Income	\$38.5m	↑ 21.5%
Net Interest Margin	167bps	↑ 27bps
Cost to Income ratio	72.1%	↓ 6.1%
Capital Adequacy Ratio	22.0%	↑ 0.8%



BNK is positioned for growth

Key strategic initiatives in FY21 have created platform to drive growth



Balance sheet bolstered with successful **\$13m equity raising** and **\$10m Tier 2 subordinated note issue**



Commenced securitisation program to provide further funding diversity.

- **A\$250 million warehouse program** provided through Bendigo & Adelaide Bank and Blackstone
- **A\$500 million funding facility** through Goldman Sachs.



New, experienced management team appointed & **Board strengthened with** additional NEDs bringing diverse capabilities and skills



Bank market position continues to strengthen with BNK-funded **loan book growth of 75.3% in FY21** to \$499m



Finsure's FY21 **settlements of \$22.2b** (an increase of 42.4% YoY)



Finsure's loan book now **exceeding \$56b** (up 24.5% YoY)



Finsure broker numbers now **exceed 2,000**

Strategy & Outlook

Foundations in place for success

Lending transformation accelerating

- Full lending model transformation in FY22 across prime and specialist programs
- First securitisation late FY22
- On Balance Sheet loan book growth of 50% in FY22

One of Australia's fastest growing Aggregators

- Broker numbers to surpass 2,400 in FY22
- Settlements of \$24 billion in FY22
- Additional 3rd party services to be added to Finsure platform generating new revenue streams in FY22

Group profitable and growing

- Bank generating cash profits from Q4, FY22
- Targeting underlying cost to income ratio of 60% in three years
- Modest increase in underlying NPAT in FY22
- Group Cash NPAT to grow by more than 100% in FY22

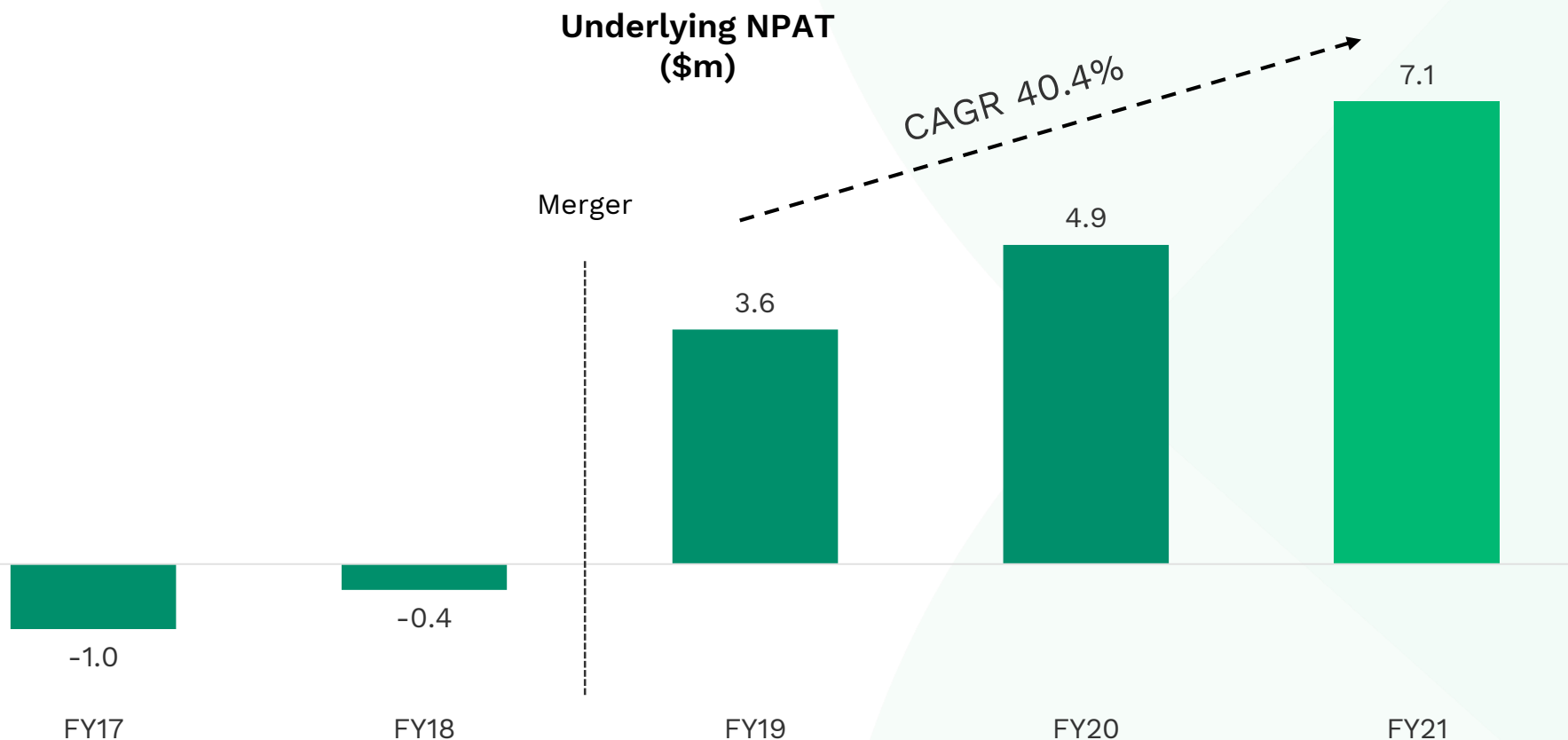
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FY2021 Full Year Results

Andrew Kitchen
Chief Financial Officer

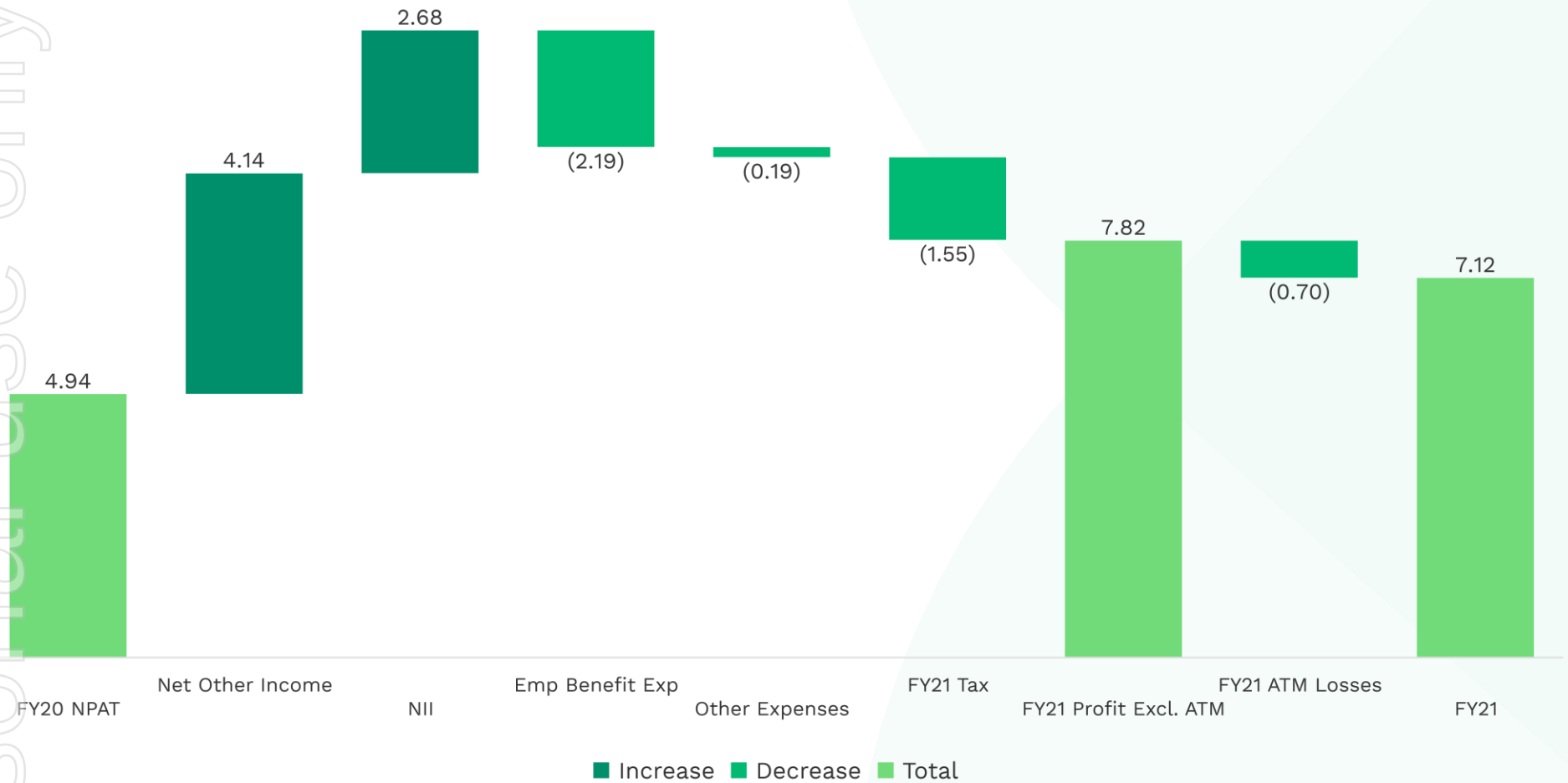
Merger delivering underlying NPAT momentum

BNK's integration with Finsure is yielding strong results



NPAT Bridge (\$m)

Excluding the impact of ATM losses, underlying NPAT up 58% YoY

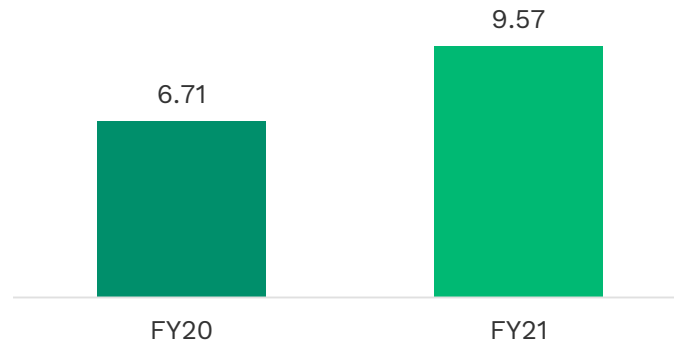


Segment Performance

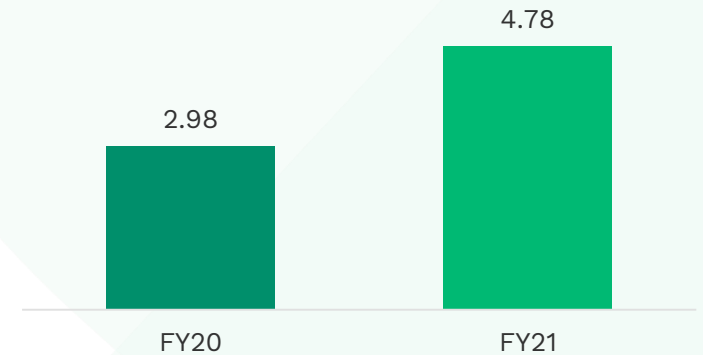
Aggregation Cash NPAT increased 60% YoY
Bank's Cash NPAT improved by 30% in 2H21



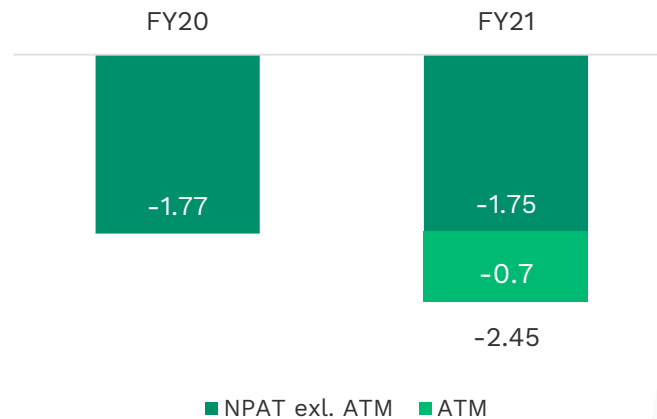
Underlying NPAT (\$m)



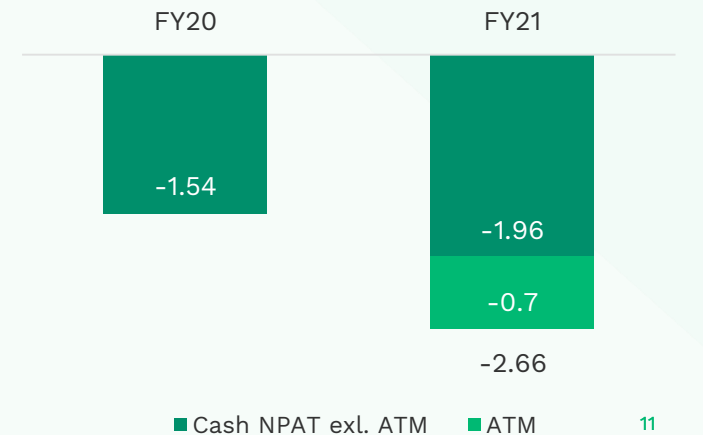
Cash NPAT (\$m)



Underlying NPAT (\$m)



Cash NPAT (\$m)



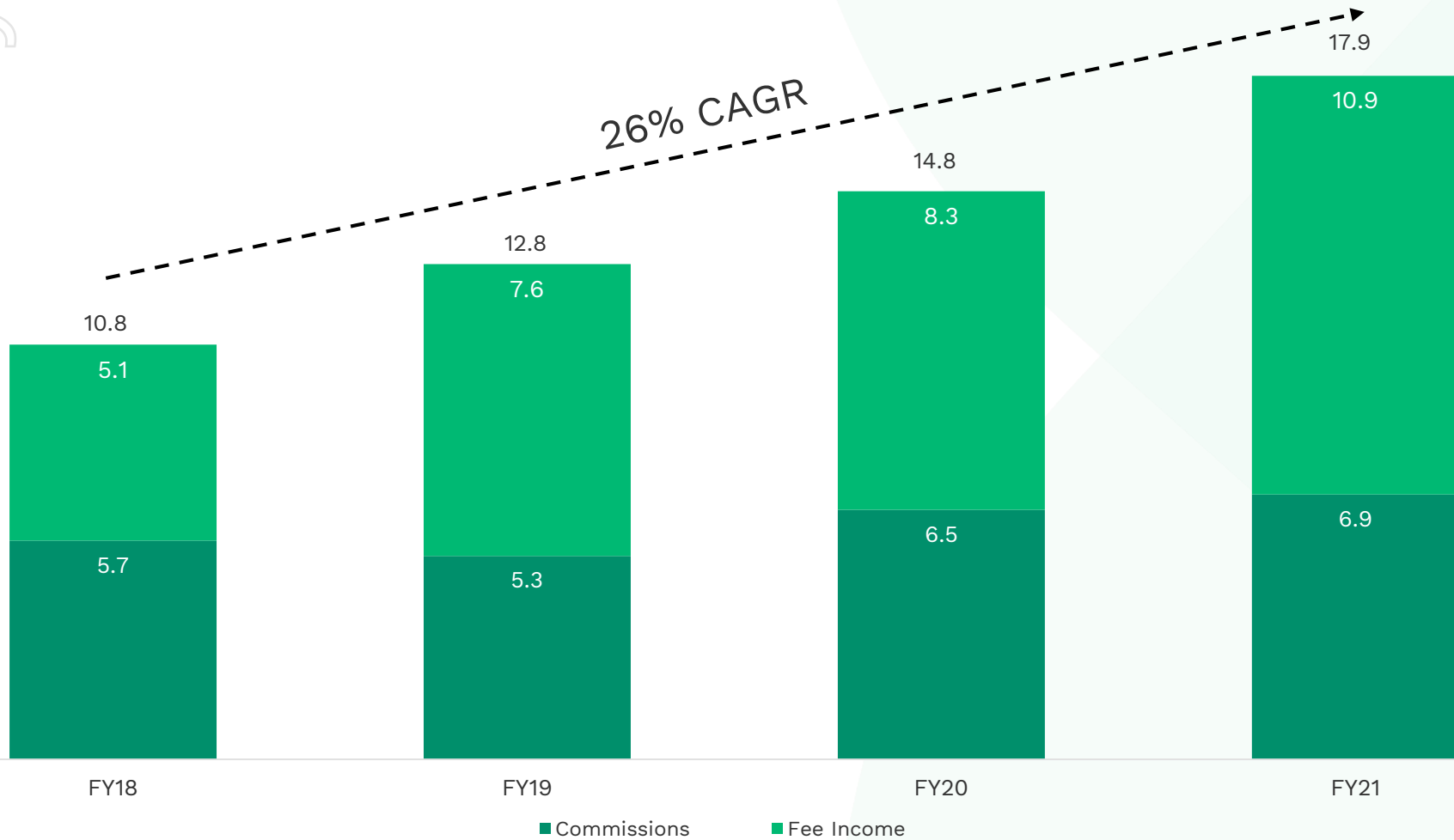
■ NPAT exl. ATM ■ ATM

■ Cash NPAT exl. ATM ■ ATM

Aggregation Revenue

Continued strong cash revenue momentum in Finsure

Finsure YoY Revenue Excl. NPV (\$m)



Impact of NPV Accounting

Finsure and Bank White Label portfolios - Assumptions driving NPV valuations for Finsure and Bank

Net Income	FY20	FY21
Net Present Value (NPV) of contractual assets (000's)	5,297	8,081
<i>Finsure NPV</i>	<i>5,888</i>	<i>7,930</i>
<i>Bank NPV</i>	<i>-592</i>	<i>151</i>
Portfolio	FY20	FY21
Finsure	\$45.4b	\$56.6b
Bank*	\$2.2b	\$1.9b
Assumptions	FY20	FY21
Discount Rate to brokers	3.5% - 6.5%	1.5% - 6.5%
Percentage paid to brokers	50% to 95%	50% to 95%
Weighted Average Life - Aggregation	3.7 to 3.9 years	3.6 to 3.9 years
Weighted Average Life - Wholesale	3.0 to 4.4 years	3.0 to 4.4 years
Weighted Average Life - Group	3.9 years	4.5 years

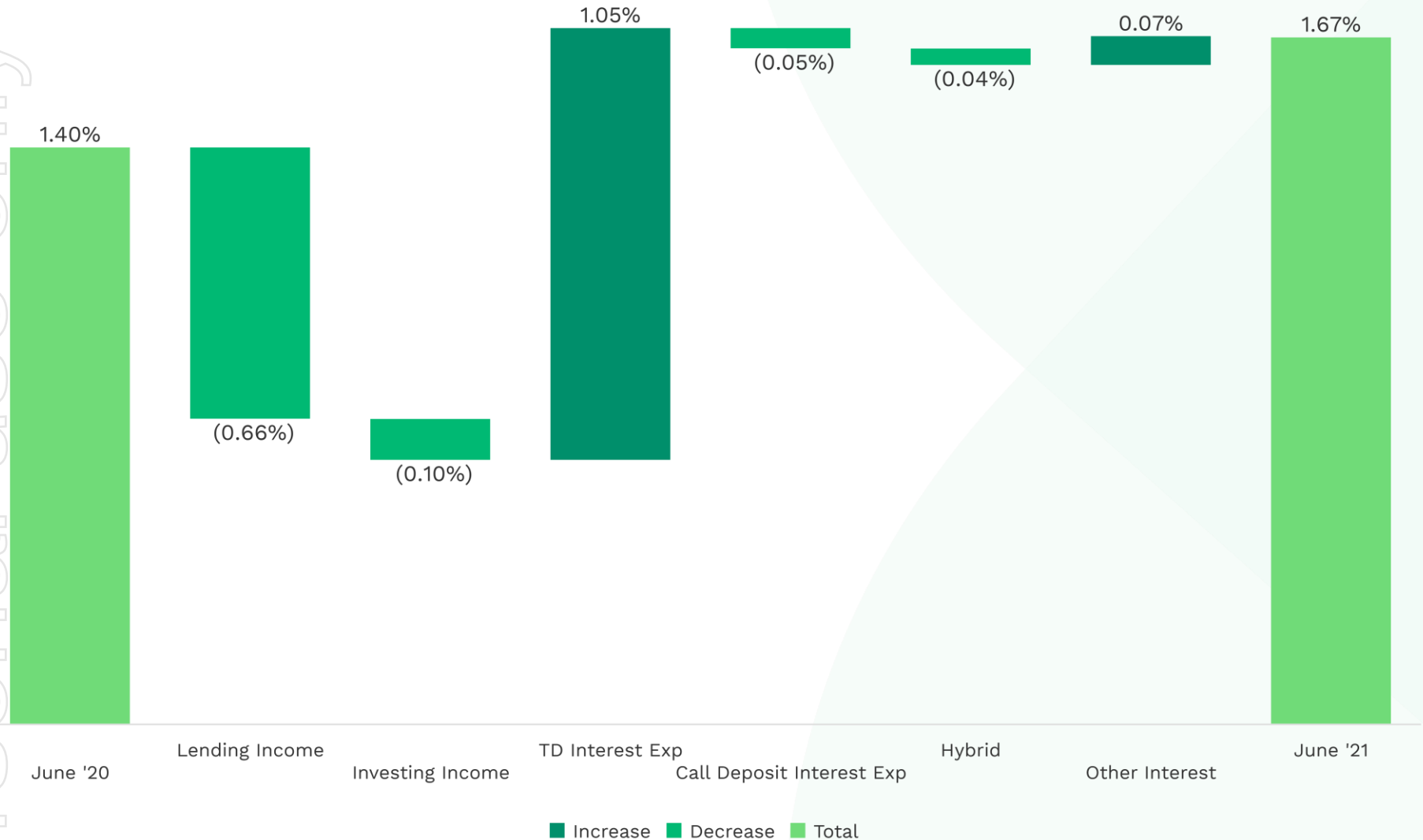
***Bank NPV asset related to White Label portfolio, which is now in run-off**

- Non-cash item
- No impact to regulatory capital as treated as a deduction

Note: Discount rates once set are not adjusted during the life of the loan. The spread in discount rate captures loans settled in previous financial years as well as the current financial year

Bank Net Interest Margin

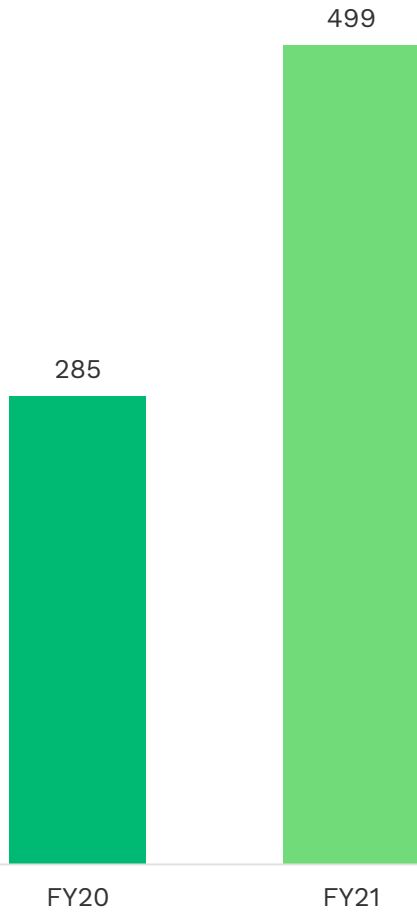
Growing NIM - Up 27bps YoY



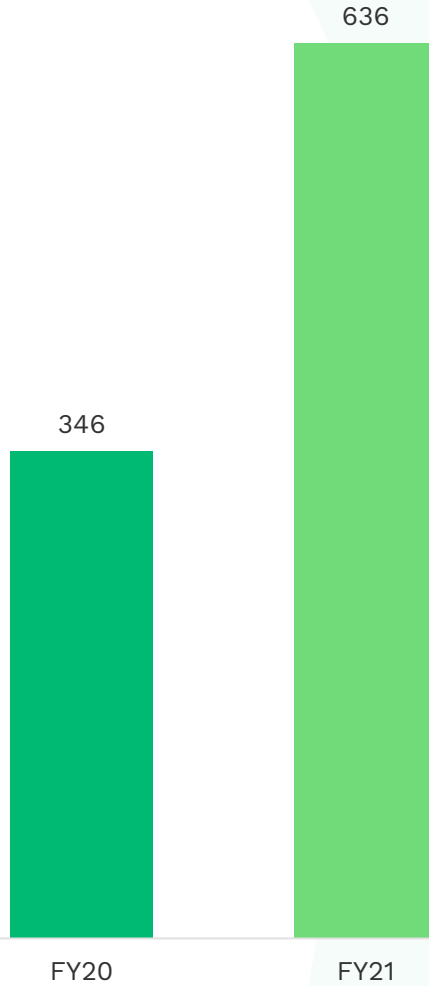
Loan Book, Deposits & Net Interest Income

Net Interest Income growth of 53%

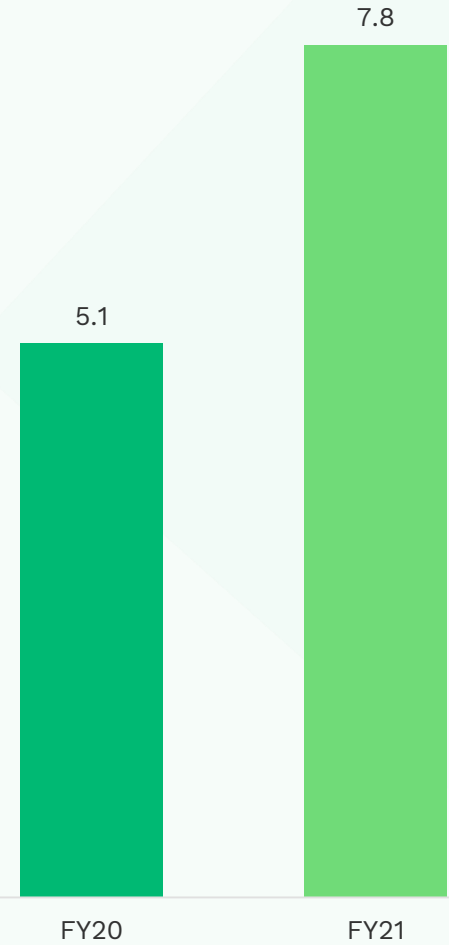
Loan Book (\$m)



Deposit Book (\$m)



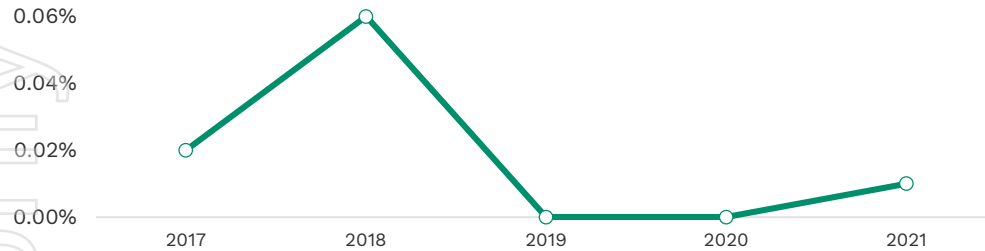
Net Interest Income (\$m)



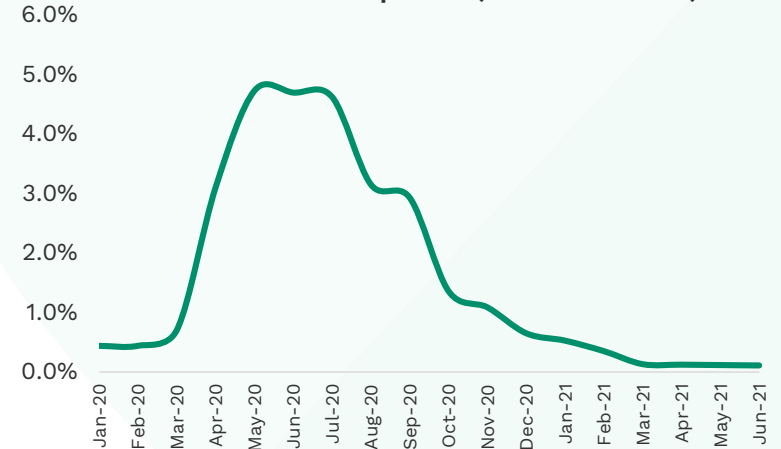
Credit Quality & Loss Provisions

Estimated Credit Losses (ECL) reduced by 4bps to 21bps

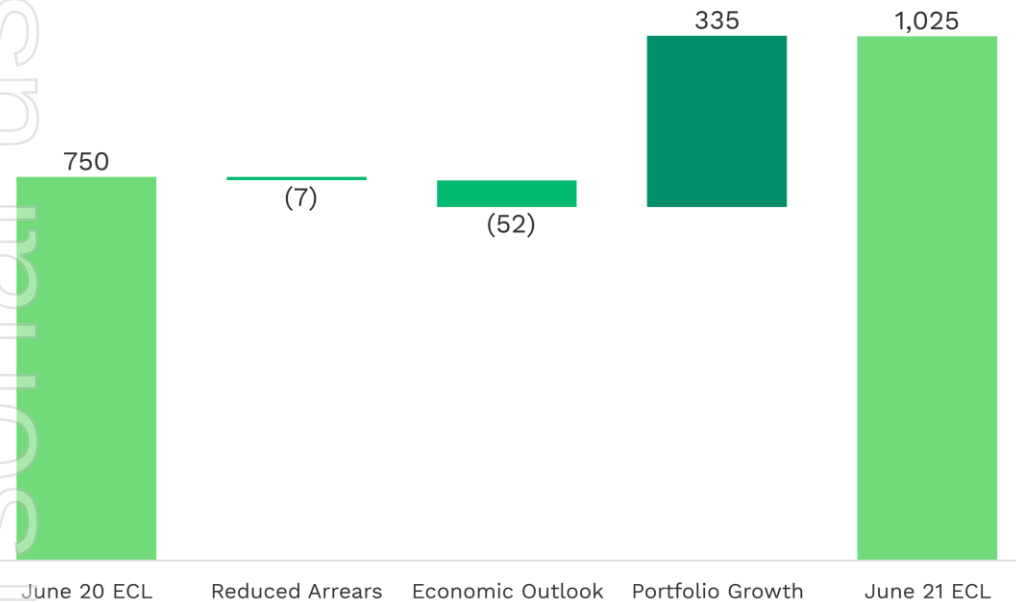
Historical Credit Charges (% of loan book)



Portfolio Hardship Rate (% of customers)



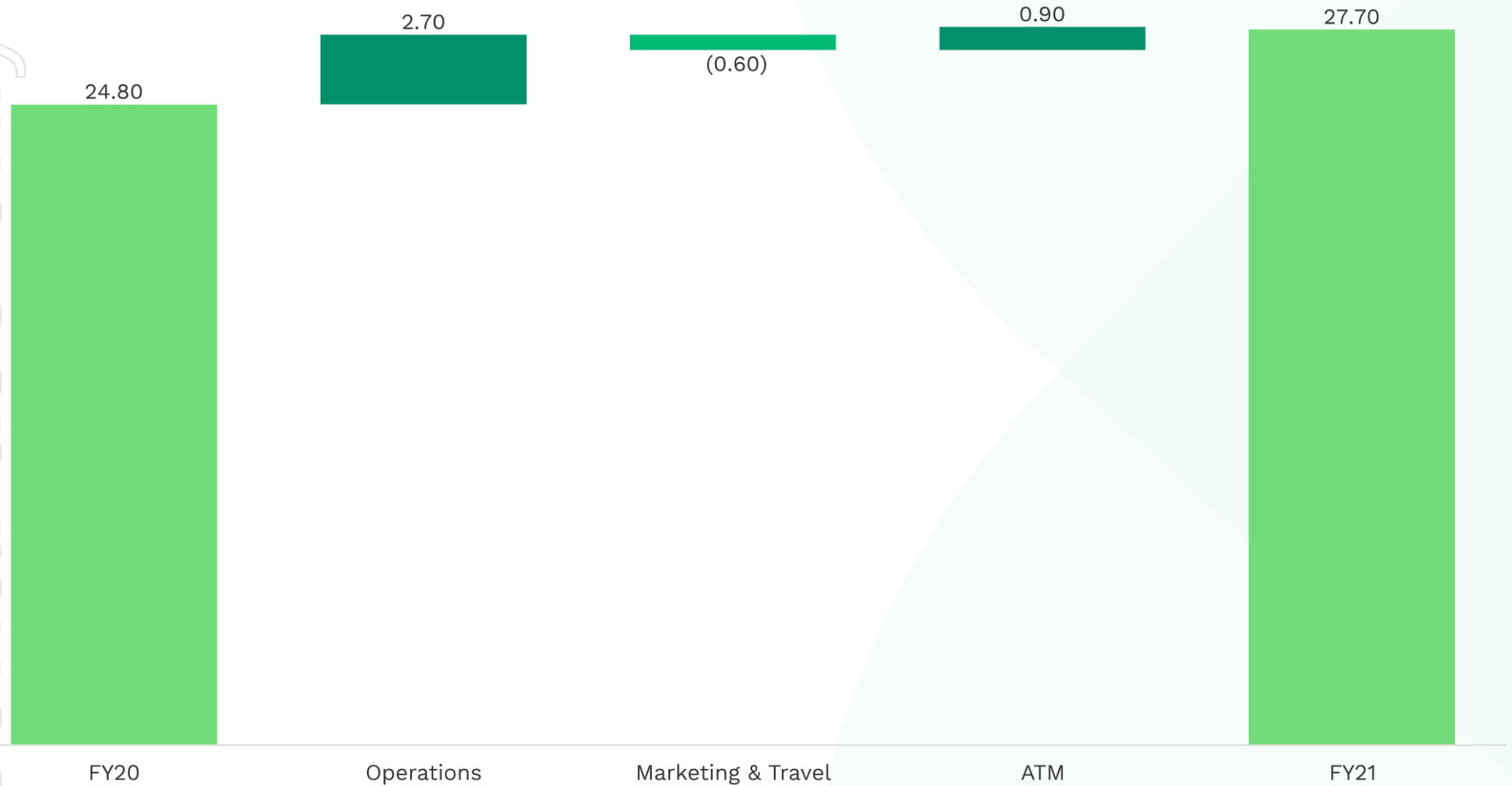
ECL Changes Jun-20 to Jun-21 (\$ 000's)



	FY20	FY21
Estimated Credit Losses (bps)	25	21
GDP growth (%)	-7.3	1.8
Unemployment (%)	7.4	4.9
Residential property price growth (%)	1.8	12.2

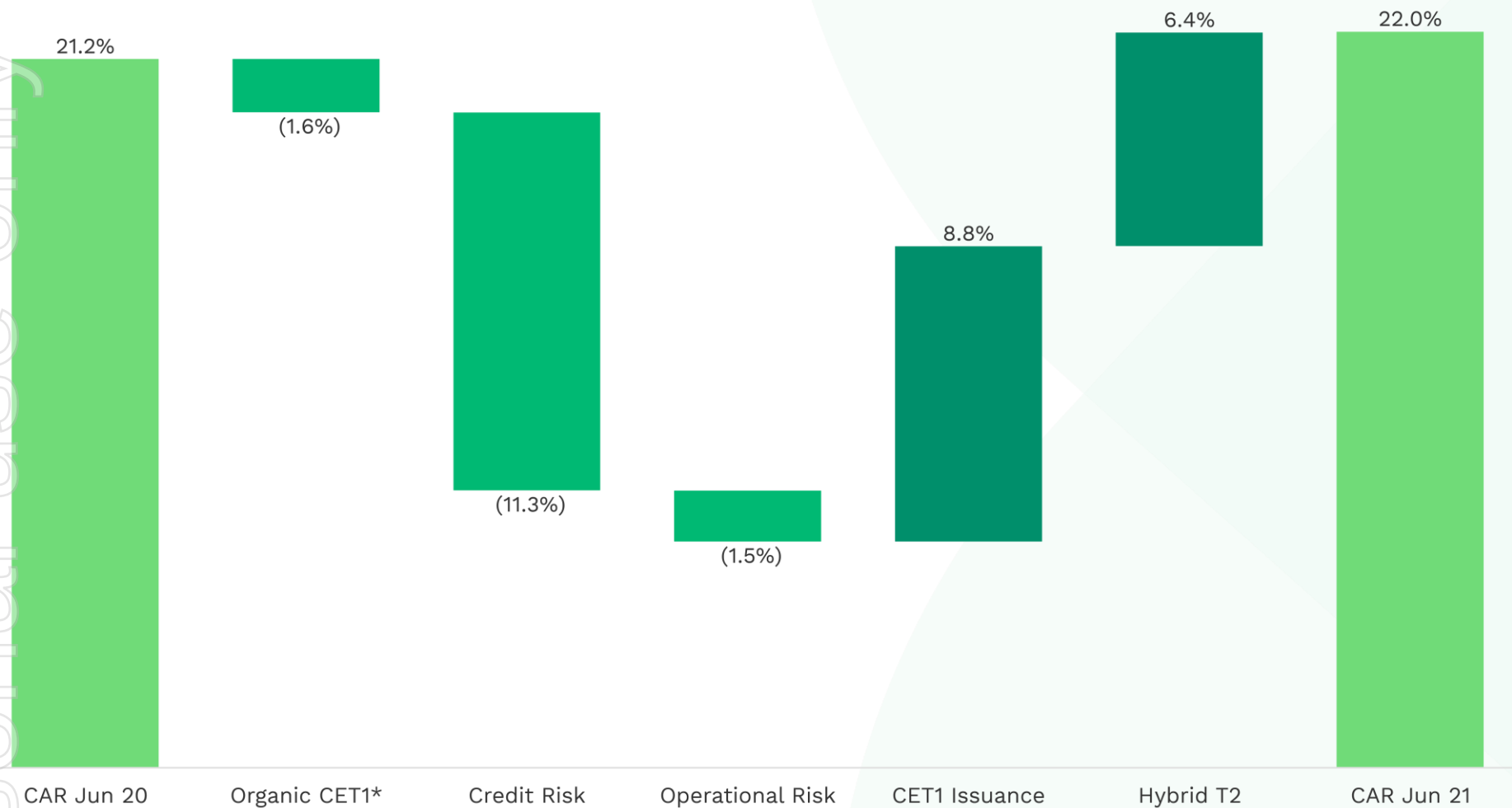
Expenses (\$m)

Cost to income ratio improved by 6% to 72% through prudent expense management



Well Capitalised

\$23 million raised in FY21 to support lending growth



*Despite positive cash earnings in the year organic capital generation was negative. This is primarily due to investment in the securitization program and growth in the loan book, both of which create capital deductions.

Aggregation Results & Outlook

John Kolenda
Finsure CEO



Finsure Highlights

Market Leading Aggregation Platform



Top 4 Mortgage Aggregator in Australia

One of Australia's fastest growing aggregators
Featured in BRW fastest growing companies over 5 years



\$56+ billion

Home loan portfolio servicing over 100,000 customers



\$22+ billion

Home loans settled in FY21
Record settlement months in Dec-20 \$2.00B, April-21 \$2.04B, May-21 \$2.24B and June-21 \$2.82B



4,800+ products from 40+ banks and lenders

Are compared and electronically submitted to lenders on proprietary technology platform 'Infynity'



Significant operating leverage

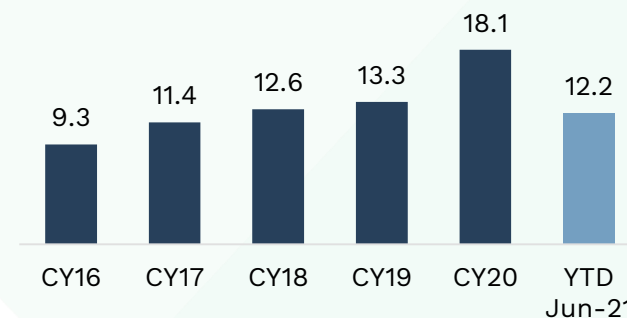
Business growth to continue from organic growth of broker recruitment and diversified income from other areas supporting our customers



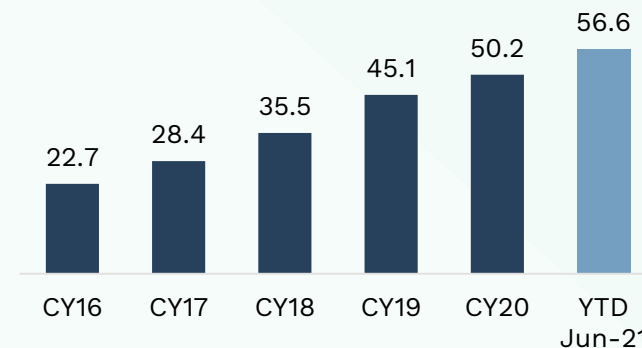
Significant market opportunity in Australia

7% market share of the ~\$400 billion annual
2.7% (\$57B) market share of \$2.1 Trillion market.

Settlements (\$b)

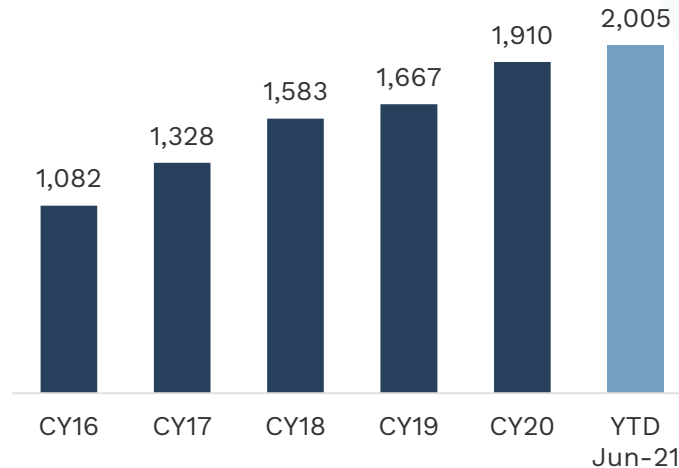


Loan Book (\$b)

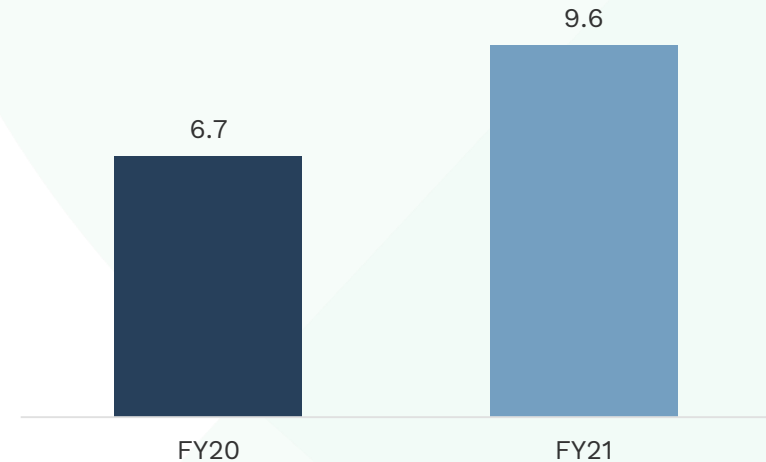


Aggregation demonstrating strong profit and settlement growth

Broker Numbers (#)

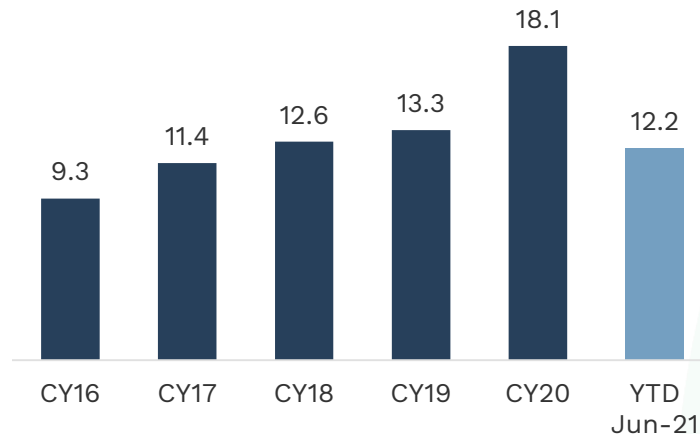


NPAT* (\$m)

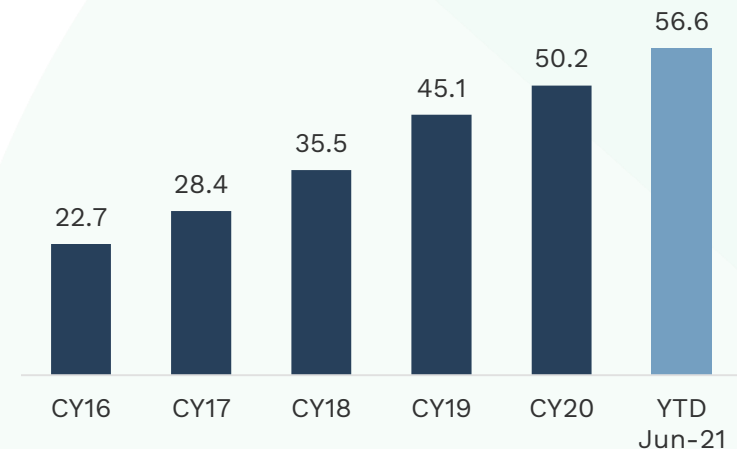


* Underlying NPAT

Annual Settlements (\$b)



Loan Book (\$b)



- NPAT of \$9.6m FY21 up 43% YoY
- 2,005 brokers, 15.2% increase YoY
- 6-month settlements of \$12.2b, up 48% YoY
- Large investments in technology platform have already been incurred.
- Infrastructure in place to continue to scale the business sustainably with minimal increase to cost base.

Drivers of Finsure growth

Finsure has an industry-leading business services model offering comprehensive solutions that attract a wide range of brokers

Industry leading service proposition – Driving a broad revenue base



Flexible commissions

Structure flexible based on the brokers' needs

- Transactional and monthly flat fee
- Split fees (95/95 or 90/90)
- Academy/Lead model (80/80 or 50/50)



Industry leading propriety software (monthly licensing fees)

Allows for unrestricted scaling of broker numbers



Comprehensive marketing support

Website design & hosting, content writing, public relations, graphic design



Loan processing services

Generating revenue whilst saving brokers time



App Store revenue

3rd Party solutions and cross sell opportunities



Broker Academy program

For new-to-industry brokers



Compliance fees

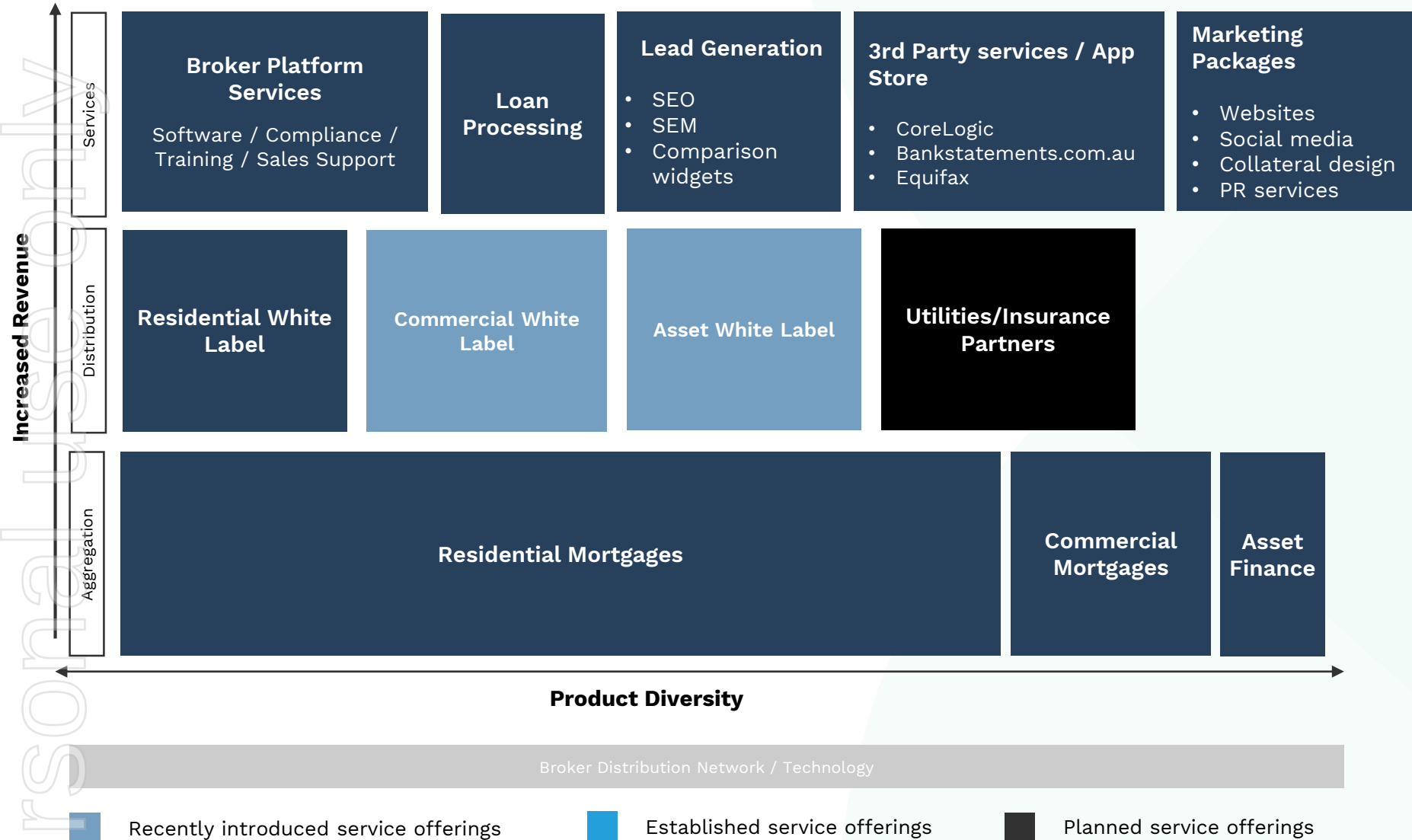
Analytics & support



Additional revenue from the cross sell of the connections of services and general insurance

Finsure Group product & services strategy

Full broker support model providing additional revenue



Strategic Outlook

Building on our success

Growth

Finsure will continue to grow earnings through diversification strategy while focusing on continued organic and inorganic growth initiatives. Following similar trends as demonstrated over a 10-year track record

Development

- Apply AI to develop customer confidence approval rating of their home loan across all lenders. Sourced from thousands of loans processed through Infynity.
- Integrating third party data sources to help brokers/customers complete a quicker application
- Accelerate investment into enhanced, digitally-driven customer experience

Strong Cash Flows

Generated from diversification and business model including monthly fee income, technology and compliance fees and monthly annuity upfront & trail income

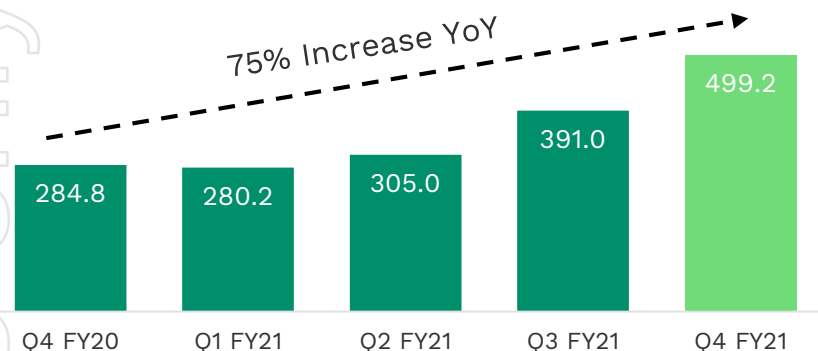
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Bank Results & Outlook

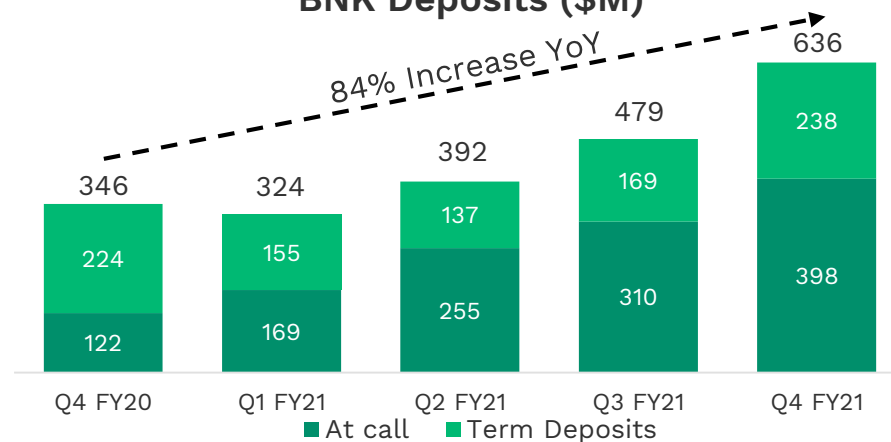
Brett Morgan
Chief Executive Officer

The BNK funded loan book has grown by 64% over the last 6 months and 75% in FY21.
The deposit book grew by 84% in FY21

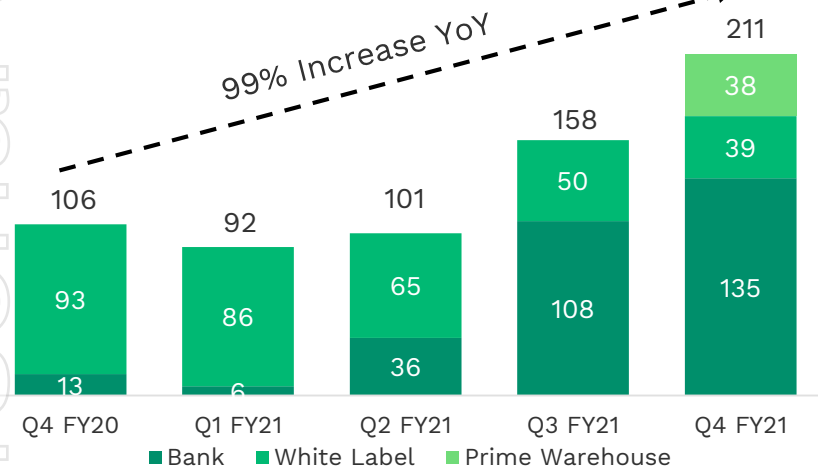
BNK On Balance Sheet portfolio (\$M)



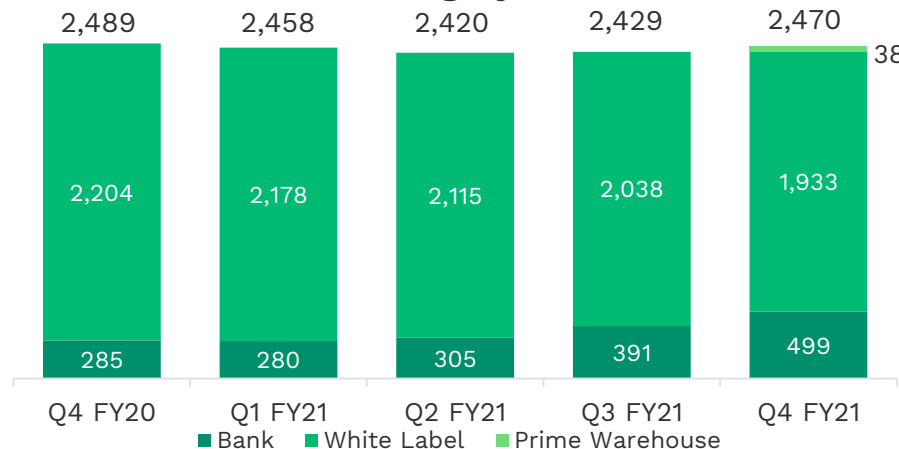
BNK Deposits (\$M)



Settlements by funder (\$M)



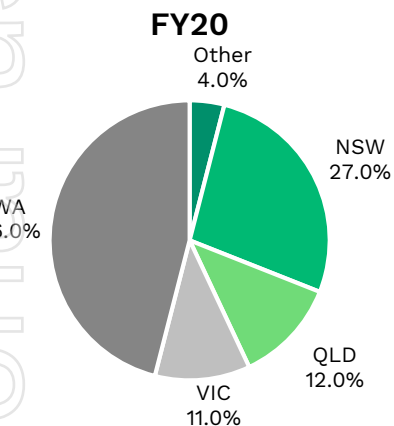
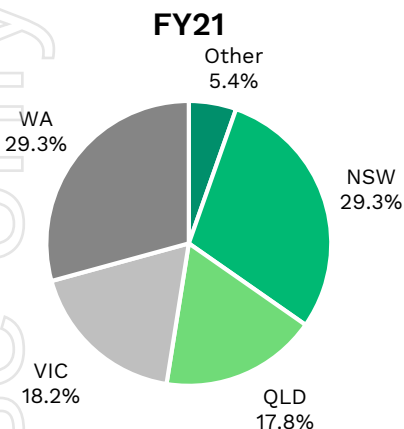
Total lending by funder (\$M)



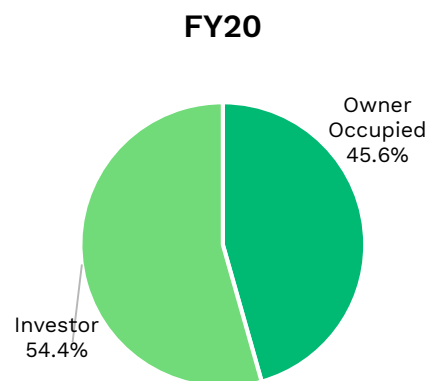
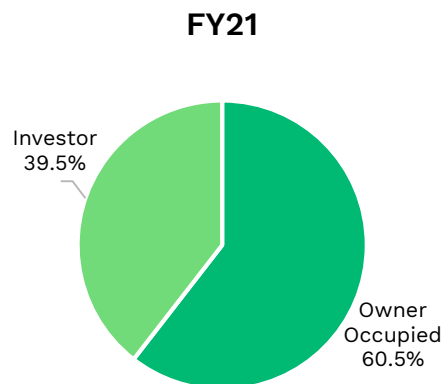
We continue to diversify the BNK-funded lending portfolio

Improved geographic mix and lending to owner occupiers

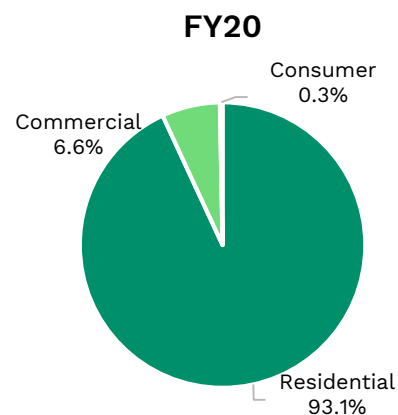
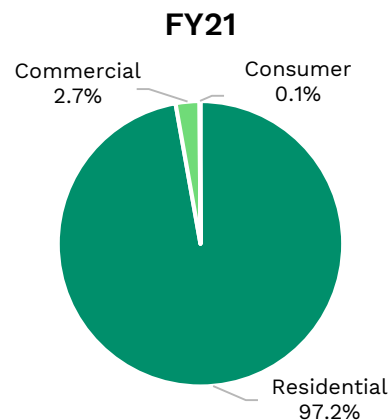
On Balance Sheet Loans



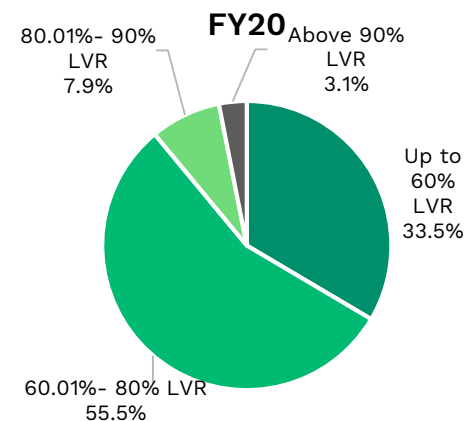
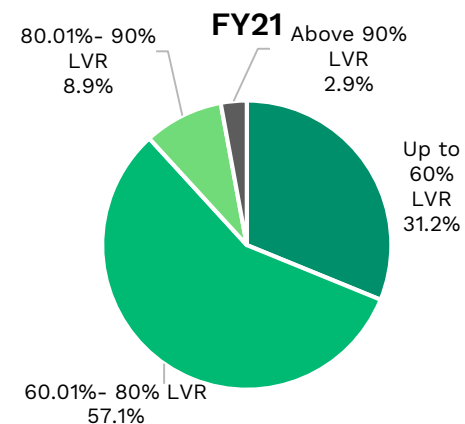
Portfolio By Loan Type



Portfolio Mix By Loan Category

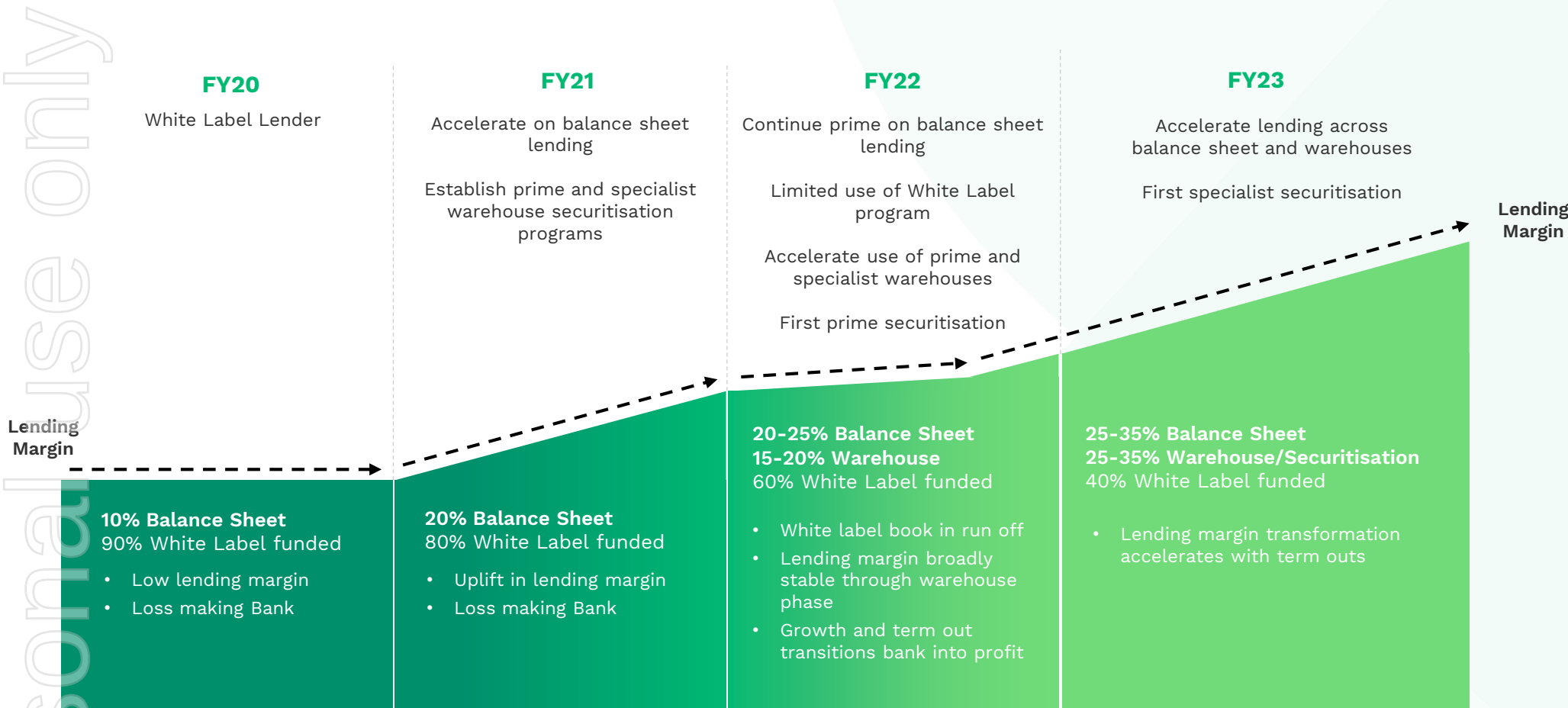


Portfolio Mix By LVR



Bank Transformation and Outlook

Over the last 12 months, we have made significant progress in transforming our lending business to generate higher returns



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Group Summary

In summary...



Solid result delivered in FY21

Underlying NPAT up 44.1%, Cash NPAT up 46.8%



Balance sheet strengthened

\$13m equity raise and \$10m Tier 2 note issue



Accelerating lending transformation

Prime and specialist warehouse programs launched



One of Australia's fastest growing aggregators

Continued strong growth in broker numbers

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Appendix

Group Financial Snapshot

Solid result in a challenging environment

	FY21	FY20	Change
Group Underlying NPAT (\$000's)	7,119	4,942	↑ 44.1%
Cash Earnings	2,120	1,444	↑ 46.8%
Cost to Income Ratio	72.1%	78.2%	↓ 6.1%
Statutory NPAT (\$000's)	5,659	3,824	↑ 48.0%
Bank Loan Spot Book Size (\$000's)	499,190	284,788	↑ 75.2%
NIM (Average)	167 bps	140 bps	↑ 27bps
Capital Adequacy Ratio	22.0%	21.2%	↑ 0.8%
MLH (Spot)	24.81%	26.51%	↓ 1.7%
Expected Credit Loss (ECL)	21 bps	25 bps	↓ 4bps

Underlying to Statutory NPAT reconciliation

Full Year	Group FY Financials - Reconciliation		FY21	FY20
	Data in \$k's		Overall	Overall
	Underlying NPAT		7,119	4,942
	Revenue Adjustments			
	Net Other Income		57	4,069
	Expense Adjustments			
	Depreciation and Amortisation		573	480
	Software Development Costs		1,832	2,281
	Provision for Credit Loss		-	3,007
	Restructuring and Transition Costs		-	36
	Tax		(888)	(617)
	Statutory NPAT		5,659	3,824

Software development costs reflects the adoption of new accounting standard requirements mandating the expensing of software development costs that were previously eligible to be capitalised.

Profit & Loss Statement

Underlying Group (\$m)	Aggregation	Bank	FY21	FY20	\$ Var.	% Var.
Gross Revenue						
Commission Income/(Exp.)	323.7	12.9	336.6	288.5	48.0	17%
Interest Income/(Exp.)	0.0	11.1	11.1	10.2	1.0	10%
Fees & Other Income	13.7	2.0	15.7	12.7	3.0	24%
Total Gross Revenue	337.4	26.1	363.4	311.4	52.0	17%
Net Revenue						
Commission Income/(Exp.)	14.9	4.4	19.3	17.9	1.4	8%
Interest Income/(Exp.)	0.0	7.8	7.8	5.1	2.7	53%
Fees & Other Income	11.0	0.4	11.4	8.6	2.8	32%
Total Net Revenue	25.8	12.6	38.5	31.7	6.8	22%
Operating Expenses						
Operating Expenses	11.7	16.0	27.7	24.8	3.0	12%
Provision for Credit Loss	-	0.4	0.4	0.5	(0.1)	-24%
Total Expenses	11.7	16.4	28.1	25.2	2.9	11%
Profit Before Tax	14.1	(3.8)	10.4	6.4	3.9	61%
Tax Expense	4.6	(1.3)	3.3	1.5	1.8	117%
Net Profit After Tax	9.6	(2.4)	7.1	4.9	2.2	44%

Cost to Income (%)

78.2%
72.1%

FY20 FY21

Revenue (\$m)

31.7
38.5

FY20 FY21

Balance Sheet

Group (\$m)	FY21	FY20	\$ Var.	% Var.
<u>Assets</u>				
Cash & Equivalents	47.3	18.1	29.2	160.9%
NPV Asset	505.7	387.2	118.5	30.6%
Loans & Advances	540.0	283.6	256.4	90.4%
Other Assets	228.9	145.2	83.6	57.6%
Total Assets	1,321.8	834.1	487.7	58.5%
<u>Liabilities</u>				
Deposits	635.6	345.8	289.9	83.8%
Other Liabilities	558.2	379.1	179.1	47.3%
Total Liabilities	1,193.9	724.9	469.0	64.7%
<u>Equity</u>				
Contributed Equity	116.6	103.5	13.1	12.7%
General & Other Reserves	1.3	1.2	0.1	8.5%
Retained Earnings	10.0	4.5	5.5	122.8%
Total Equity	128.0	109.2	18.7	17.1%

Board of Directors



Don Koch

Chairman of the Board

Mr Don Koch joined our Board of Directors as a Non-Executive Director in June 2019. Mr Koch is an accomplished senior executive with 30 years' experience in the global financial services sector, both in board and senior management positions.

He was CEO of ING Bank in Australia from 2009 to 2012 before transferring to become CEO of ING Bank Italy from 2012 to 2016. He most recently ran a program for ING Asia as a joint venture with a large local bank within China, the largest digital economy in the world. As the former CIO and part of the team that launched ING Direct in Australia, he has a strong understanding of digital banking from a technology, operational, strategic and governance perspective.



Jon Denovan

Non-Executive Director

Jon is well known as a leading authority on regulation and compliance for the mortgage industry. In recognition of his contribution to the industry, Jon was made the first honorary member of the Mortgage & Finance Association of Australia (MFAA). Jon was recognised as a leading lawyer in financial services regulation in the 2014 edition of Chambers Asia Pacific and was voted by his peers as one of Australia's Best Lawyers in Financial Institutions since 2013. His significant knowledge makes him a trusted authority on all forms of financial accommodation, the National Consumer Credit Protection Act 2009 and the National Credit Code, trade practices and fair trading legislation. Jon is Australia's leading authority on non-bank lending, third-party distribution agreements and mortgage and loan servicing.

Complementing Jon's skills in the finance industry is his significant experience in the property industry. Many of Australia's major property developers have benefitted from his structuring of some of their largest property projects and his thorough, yet straightforward, documenting of their complex joint ventures and other commercial arrangements. In doing this, Jon also applies his significant knowledge of taxation, stamp duty and GST.

Jon writes numerous academic articles on the industry and was the principal author of the National Credit Regulation loose leaf service published by Thomson Reuters.

Board of Directors



John Kolenda

Executive Director & Finsure CEO

Mr Kolenda was appointed a Director on 13 March 2018. Mr Kolenda is the Managing Director of Finsure Group and has extensive experience in the mortgage broking and aggregation sector. Finsure was ranked sixth in BRW Magazine's Fast 100 List in 2016 after being ranked second in its top 100 Fast Starters list in 2015. The company was ranked second when the SmartCompany top 50 was named to celebrate Australia's fastest growing SMEs in 2014-15.

Mr Kolenda was the General Manager Sales & Distribution at Aussie Home Loans for ten years from 1994, before founding X Inc, which was a successful mortgage aggregator before its merger with the mortgage broking operations of Ray White in 2007. He was also the Executive Director of the merged entity Loan Market Group. Mr Kolenda founded several businesses before launching Finsure Group in 2011.



Peter Hall

Non-Executive Director

Mr Hall was elected as a Director in November 2015 and is an experienced financial services industry professional. Previous Board and industry appointments include: Non-Executive Director of BLSSA Pty Ltd (the licensing Board for Advantaged Financial Services, a NAB subsidiary), Chair of the CoreLogic RP Data sponsored Residential Valuation Industry Advisory Group, Ministerial Advisory Board Member for NSW Housing Minister and Chairman and Council Member of the Lenders Mortgage Insurance sub-committee. Mr Hall has also held the senior executive position of Country Executive of Genworth Financial Aust. & NZ and Managing Director of Genworth Financial Mortgage Insurance Aust. & NZ.

Mr Hall holds a Graduate Diploma of Management, has completed Executive Management Programs at GE's global management college, a Senior Associate of the Financial Services Institute of Australia and has received a Distinguished Service Award from the Australian Securitisation Forum. Mr Hall is also a Non-Executive Director of Pioneer Credit Ltd.

Mr Hall is the Chair of the Risk & Compliance Committee, Chair of the Board Credit Committee and is also a member of the Audit Committee.

Board of Directors



Elizabeth Aris

Non-Executive Director

Ms Aris was recently Group Executive, Enterprise & Government at TPG Telecom. Prior to that Ms Aris held senior executive positions at Tasmanet, Trujillo Technology Group, Alcatel-Lucent and Telstra, and consulting roles with Microsoft. Ms Aris commenced her career in banking ending up as a member of the Retail Bank executive team at Westpac. She has served as a Non-Executive Director in both publicly listed and private companies and has been a technology entrepreneur building a start up in New York.

Ms Aris joined the BNK Banking Corporation Limited Board of Directors on 17th June, 2021.



Michelle Guthrie

Non-Executive Director

Ms Guthrie has extensive experience in media, entertainment, funds management, technology and professional services spanning more than 30 years, in both executive and non-executive roles. Ms Guthrie was Managing Director of the Australian Broadcasting Corporation (ABC) between 2016 and 2018. Prior to that, Ms Guthrie held senior management roles at leading media and technology companies in Asia, the UK and Australia, including Google, Star TV, BSkyB and Foxtel. Ms Guthrie spent several years as an equity adviser and investor for Providence Equity covering Asia Pacific, before moving to Singapore for a senior role as Managing Director, Partner Business Solutions, APAC, at Google. Ms Guthrie commenced her working career at Allen, Allen & Hemsley and holds a Bachelor of Arts and Bachelors of Laws (Sydney).

She is currently a non-executive director of StarHub Limited, Hoppr Limited and Catapult Group International Limited and is Chair of Mighty Kingdom Limited.

Board of Directors



Calvin Ng

Non-Executive Director

Mr Ng has significant investment banking, mergers & acquisitions and funds management experience. He is a co-founder and Managing Director of the Aura Group, a fast growing funds and wealth management firm managing and advising over A\$850m in assets. He is also a co-founder of Finsure, which merged with Goldfields Money Limited in 2018 to form BNK. Mr Ng's listed company experience includes 6 years as a director of Catapult from 2014 to 2019 where he played an integral role in Catapult's IPO and ongoing capital management and M&A activities. Since the merger of Finsure and Goldfields, Mr Ng has consulted to BNK supporting capital management initiatives and the implementation of the Group's securitisation warehouse arrangements. Mr Ng holds a Bachelor of Commerce and Bachelor of Laws (UNSW) and was admitted to practice in the Supreme Court of NSW in 2010.

He is currently a non-executive director of Integrated Portfolio Solutions Pty Ltd, Institchu Holdings Pty Ltd and Bullion Asset Management Services Pte Ltd.