

ASX Release, 6 June 2022

BNK ACHIEVES RECORD SETTLEMENTS FOR MAY – ON TRACK FOR STRONG FINISH FOR FY22

- Record total settlements of \$108.7 million achieved in May
- Continued record performance in on-balance sheet and warehouse lending with \$71.5 million in settlements in May
- Strong finish expected for FY22 with positive momentum into FY23
- Diversified growth strategy focused on achieving increased scale and profitability
- Update on capital management - \$60m in Finsure sale proceeds to be returned to shareholders in 1QFY23 via special dividend and capital return, subject to regulatory and shareholder approval

BNK Banking Corporation Limited (ASX:BBC) (“BNK” or the “Group”) today provided a business update, including achieving record settlement volumes for May 2022.

The Group is also pleased to provide further detail on its diversified growth strategy and also an update on capital management initiatives following the sale of Finsure.

Business Update – record settlements of \$108.7 million in May sets up strong finish to FY22

BNK continues to demonstrate consistent growth across key areas of the bank, building on the strong momentum from the third quarter.

May was a record month for settlement volumes with \$108.7 million in total settlements achieved for the month, being 36% above April’s result. The record performance reflected continued strong growth in BNK (on-balance sheet) and BEN warehouse (Bendigo and Adelaide Bank) settlement volumes which were \$71.5 million for the month, being 74% above April’s result, following record applications in residential loans earlier in the fourth quarter.

BNK also recorded continued strong performance in settlements through its specialist warehouse through its alliance with Goldman Sachs with \$29.3 million in settlements for May, with the residual settlement result of \$7.9m reflecting the preceding white label operating model.

“We are very pleased to deliver record settlements in May which demonstrates the significant potential BNK has to leverage our growth strategy,” said Allan Savins, CEO of BNK.

“Having completed the strategic review in early May and confirmed our diversified growth strategy, it is encouraging to see such a strong performance in such a short space of time.

“This is a strong testament to our team and the hard work they have done in delivering record settlements.

“That growth will ensure BNK has a strong finish to FY22 and creates positive momentum into FY23.”

BNK will release an update for 4QFY22 in July.

Update on diversified growth strategy

Mr Savins said the divestment of Finsure ensured that the BNK Group is strongly capitalised with significant opportunities for growth.

“Our strategy is centred on delivering improved scalability and profitability. We will pursue both organic and other opportunities to build the scale of the bank and leverage adjacent product categories which are higher margin to deliver enhanced profitability.

“Underpinning these strategic initiatives will be a step-change in our technological capability which is intended to simplify and automate our systems to provide a better experience and make it easier for our customers and brokers to do business with us.”

Mr Savins advised BNK’s diversified growth strategy would encompass the following core elements:

Targeting an uplift in Net Interest Margin

BNK will continue to focus on its residential loan portfolio but will enhance its lending book by broadening its capability into other complementary lending areas such as commercial lending and other higher margin product categories.

BNK intends to also leverage its strong financial position and assess acquisition opportunities in complementary asset classes or by partnering with other organisations to deliver scale more quickly.

Technology advancement to streamline and automate processing

BNK will invest in its technology and operating systems to improve automation and speed up processing times. The focus of the technology upgrade will be to deliver an enhanced end-to-end experience for brokers and customers and to remove manual processing wherever possible to reduce costs.

The technology focus intends to deliver scale by enhancing origination across the bank and support brokers and customers with a more seamless and efficient service offering.

Expand deposit capability to attract additional deposits

BNK intends to leverage its strong consumer deposit capability by targeting other key market segments such as small businesses for deposits.

Explore Credit Rating

While BNK remains in a very strong capital position, achieving a credit rating (investment grade) would enhance the Bank's ability to enter new markets for term deposits and develop new products.

Mr Savins concluded: "BNK is generating strong momentum across its core business which creates a powerful platform for us to deliver the next phase of our growth.

"Our strategy is focused on broadening our capability into higher margin, adjacent product categories which intends to deliver greater scale and profitability. BNK already has a presence in some of these categories, and we now have the focus and investment capability to leverage this position to accelerate our growth in these areas.

"Meanwhile, our investment in improved operating systems and process simplification will deliver improved customer experience and cost efficiency over time.

"We will present our growth strategy in more detail following the release of our FY22 results in early September," he said.

Update on Capital Management

On 3 May, BNK advised that the Company will return \$60 million in proceeds from the sale of Finsure to its shareholders. BNK further advises that it expects the majority of the \$60 million in proceeds will be returned via a fully franked special dividend with the balance returned via a return of capital.

As previously advised, the return of sale proceeds is expected to be made in 1Q FY23 subject to regulatory approval and shareholder approval of the capital return component.

BNK expects to hold a shareholder meeting once regulatory approval is obtained and will provide further detail to shareholders in due course.

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