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# BNK Banking Corporation ASX:BBC

## FY2021 Half Year Results

February 2021



**Better Choice**  
Make a Better Choice



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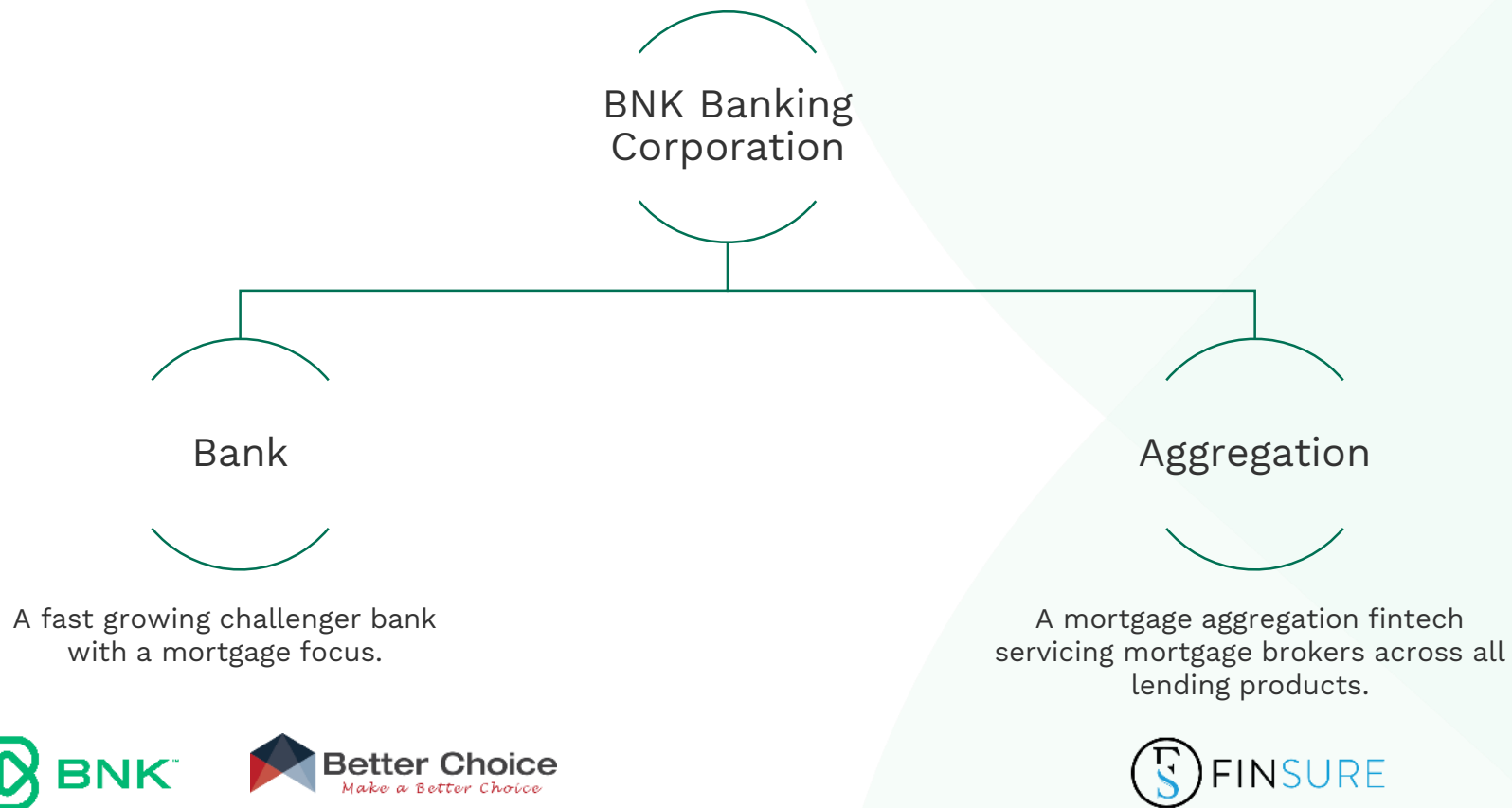
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## **FY2021 Half Year Results**

**Brett Morgan**  
Chief Executive Officer

# BNK Banking Corporation

## Our businesses



# Business Snapshot 1H21

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## 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**

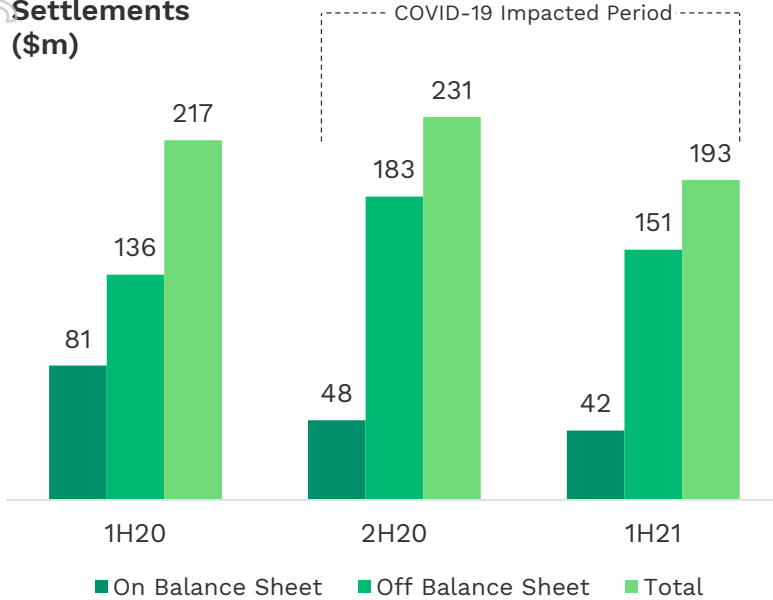
Finsure Brokers

**1,910**

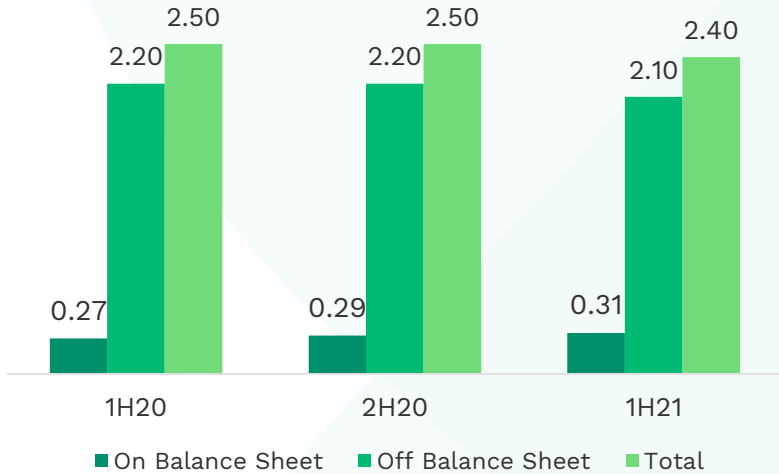
# Bank Highlights 1H21

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

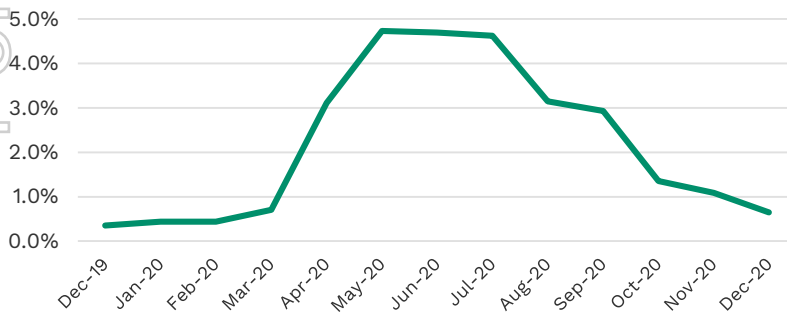
**Settlements (\$m)**



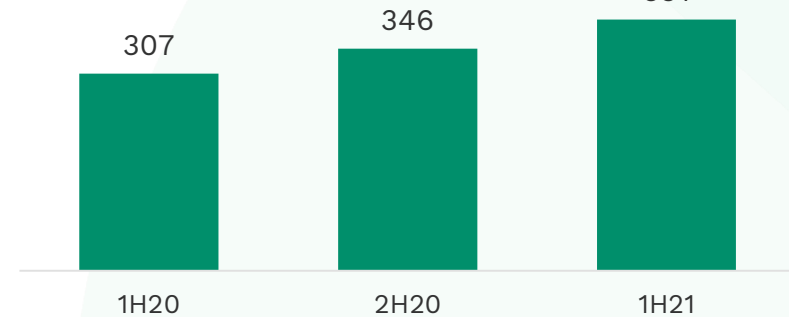
**Lending Portfolio (\$b)**



**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



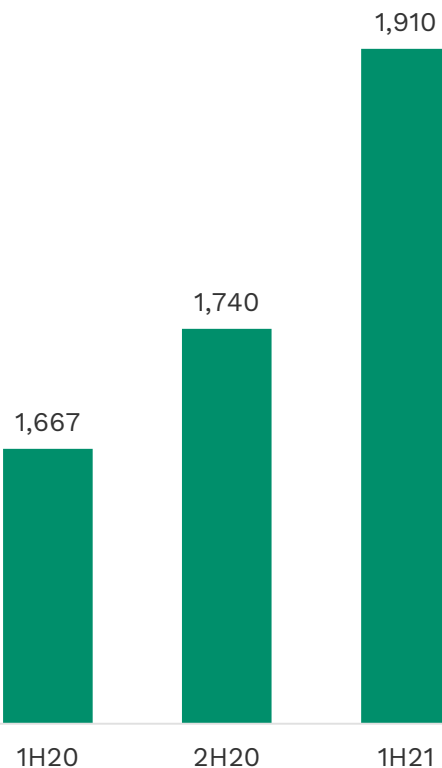
COVID impact negligible with relief packages down to 0.7% of balances (as at 31 Dec 2020) and continues to decrease



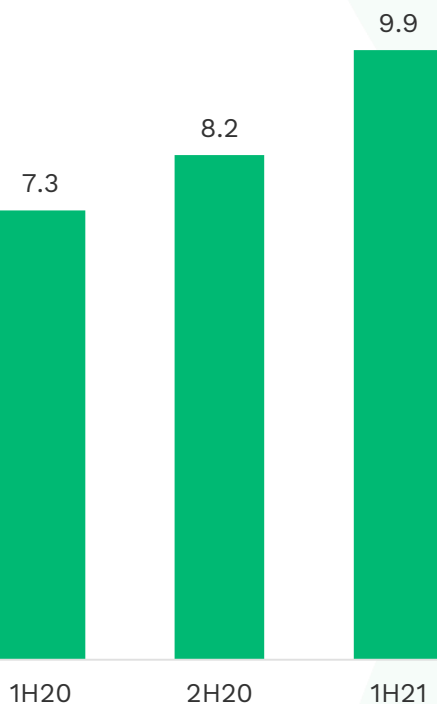
ATM recovery with insurer finalised

# Aggregation Highlights 1H21

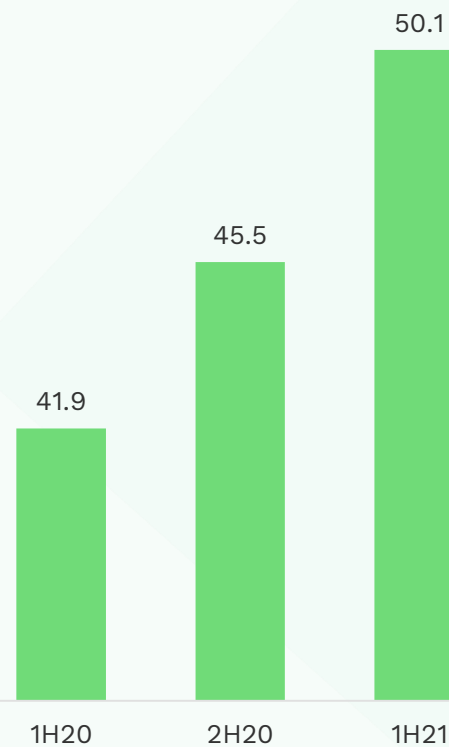
Broker Numbers  
(#)



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

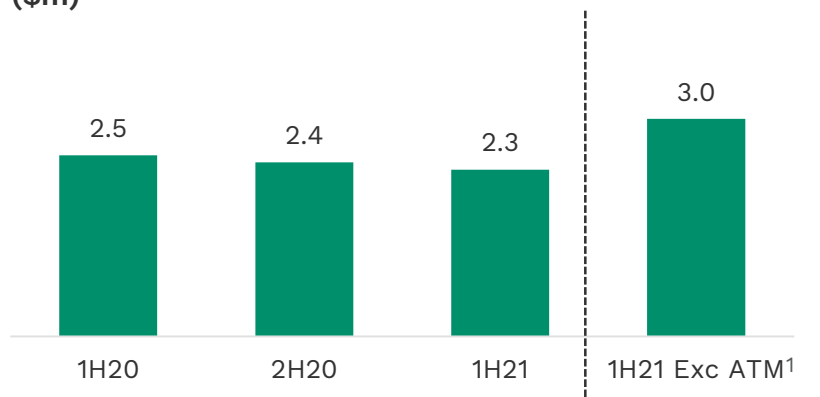
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## **FY2021 Half Year Results**

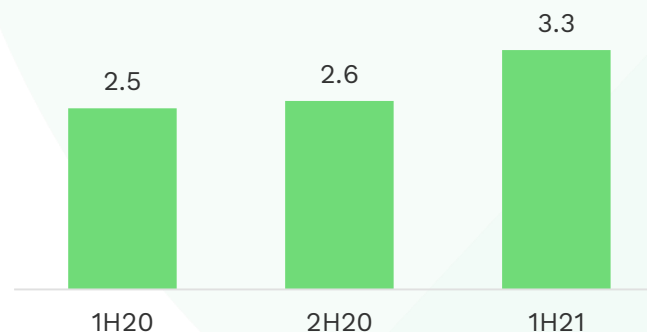
**Andrew Kitchen**  
Chief Financial Officer

# Financial Performance

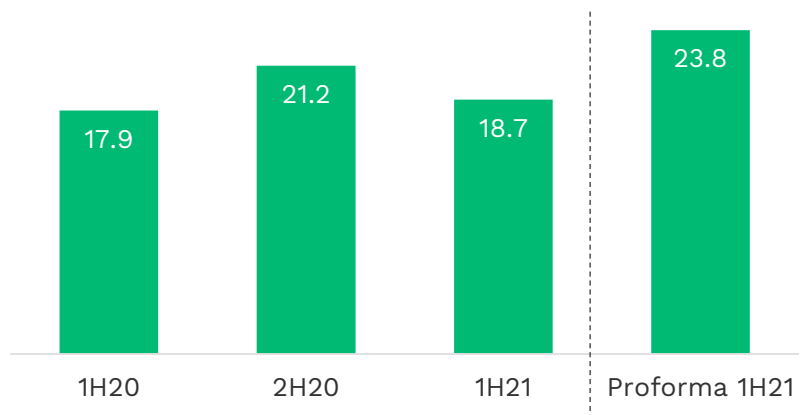
Underlying NPAT  
(\$m)



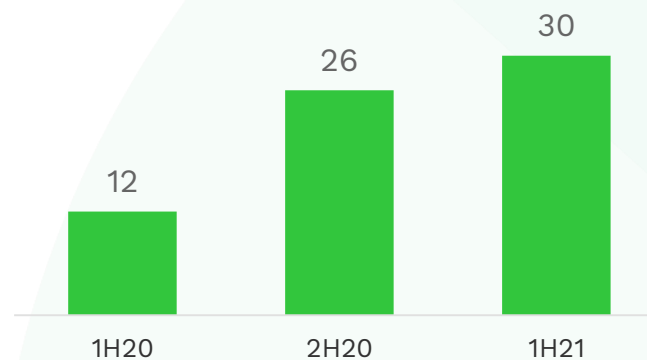
Net Interest Income  
(\$m)



CAR RATIO (LEVEL 2) %²



Credit Provisions³  
(bps)



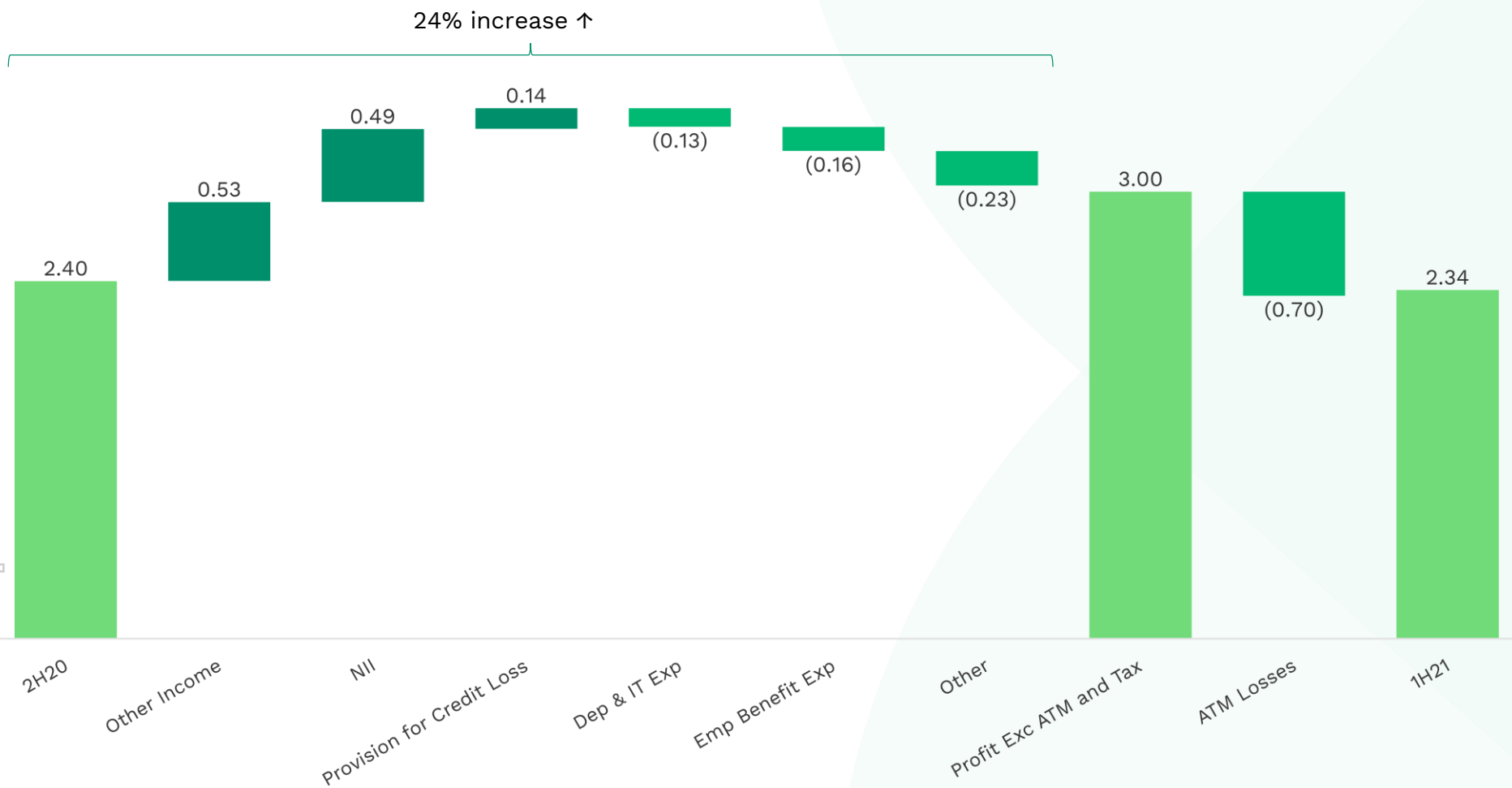
1. ATM Bailment one-off write off

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 <sup>1</sup>
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

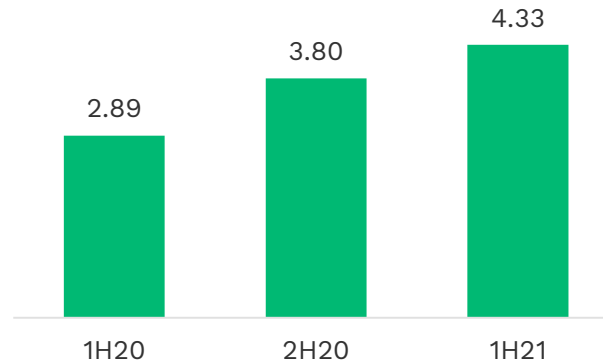
1. Change from previous half

# Segment Performance

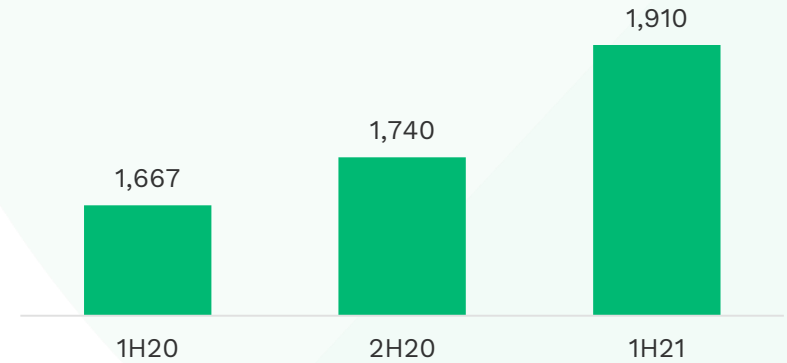
Aggregation and Bank



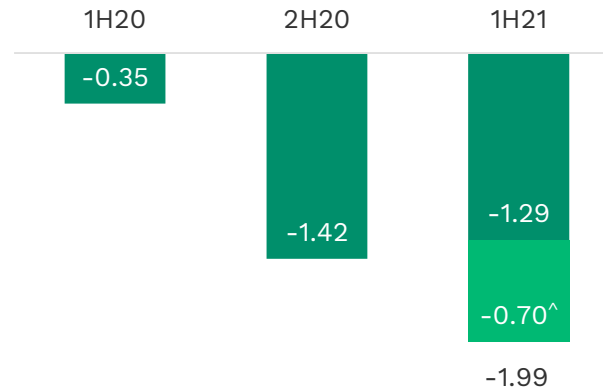
NPAT\* (\$m)



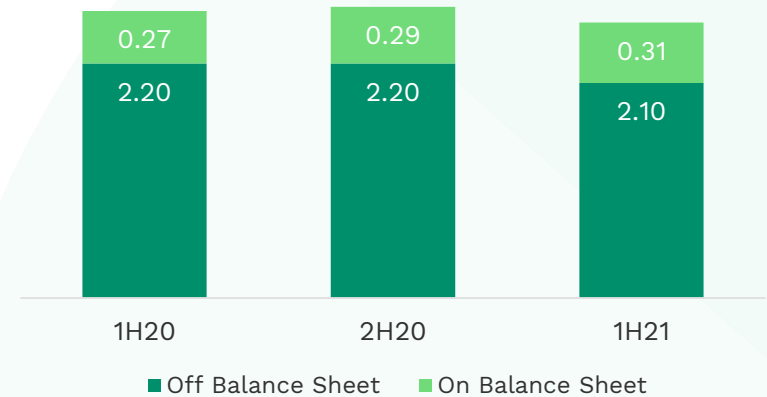
Broker Numbers (#)



NPAT (\$m)



Loan Book (\$b)



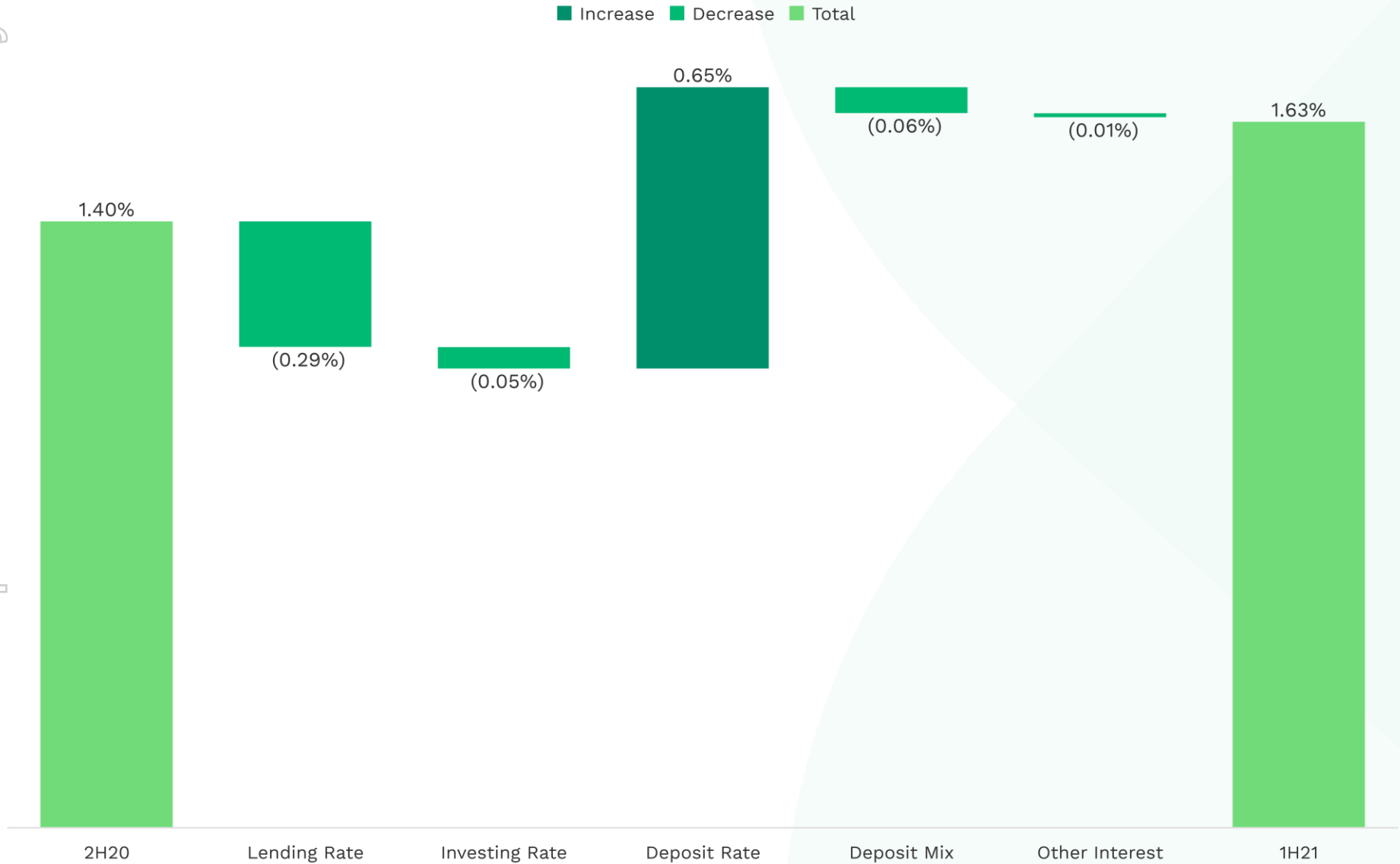
<sup>^</sup>loss from ATM and tax

\* Underlying NPAT

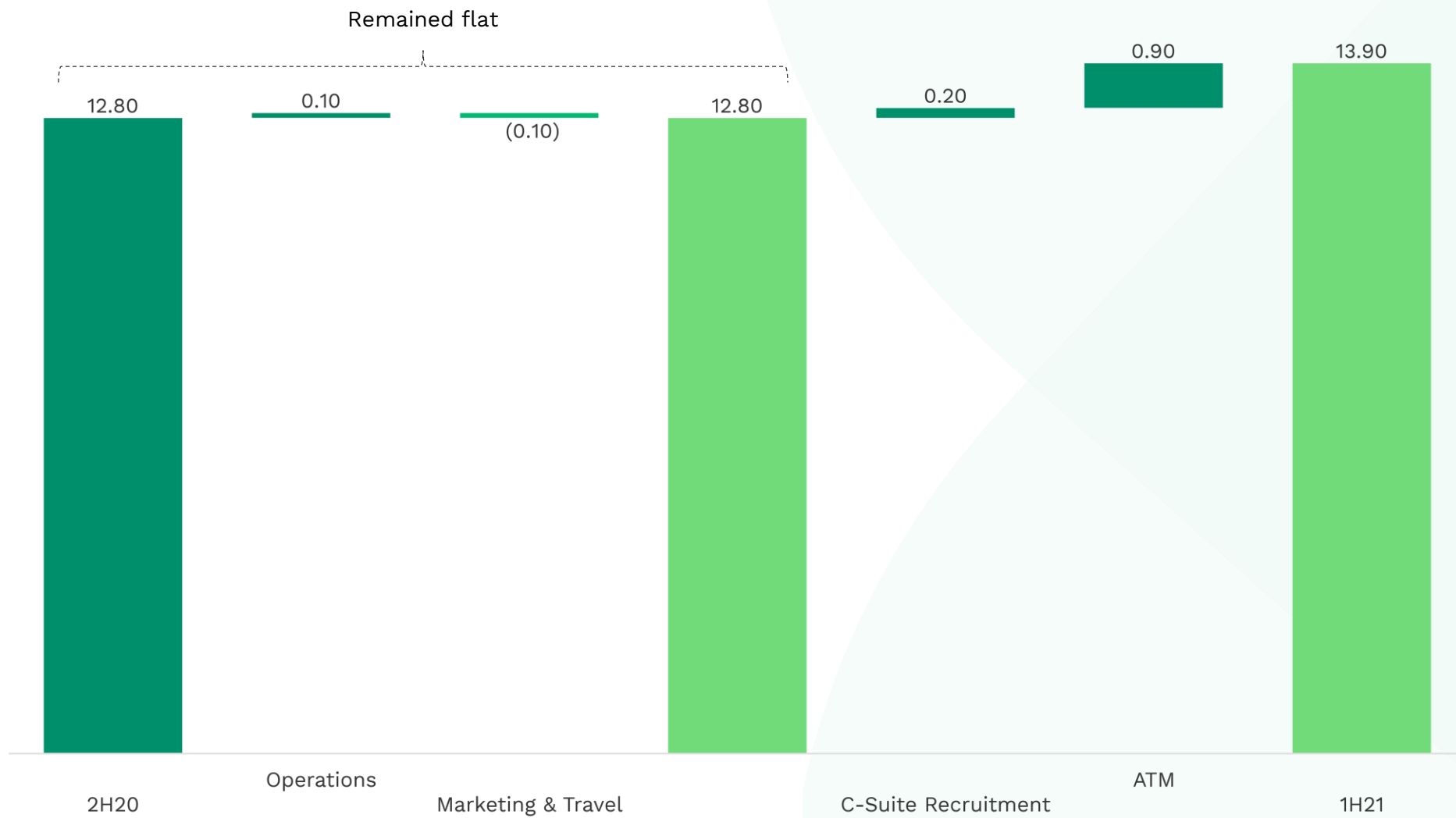
# Net Interest Margin

Solid improvement in 1H21

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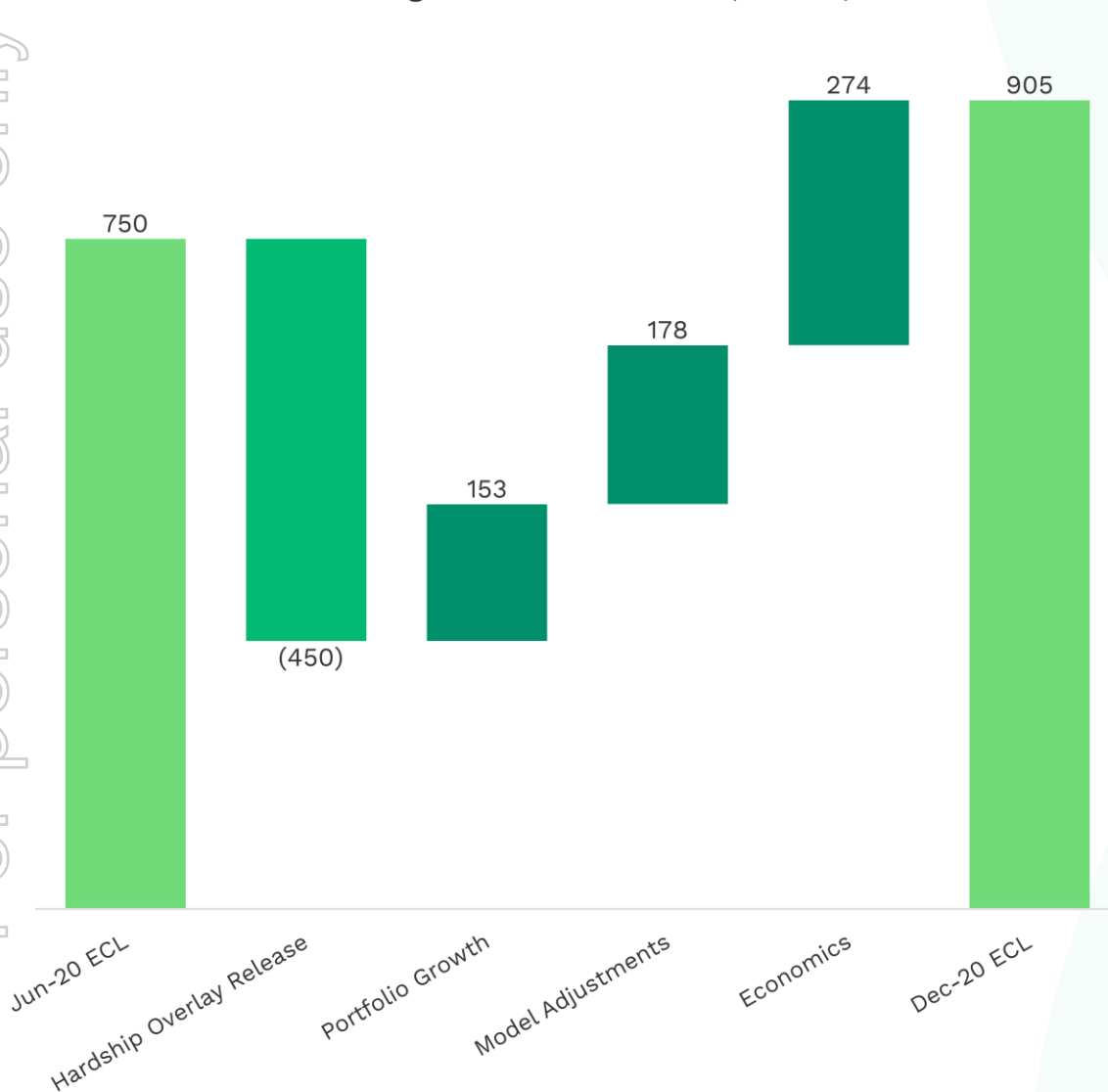


## Expenses (\$m)



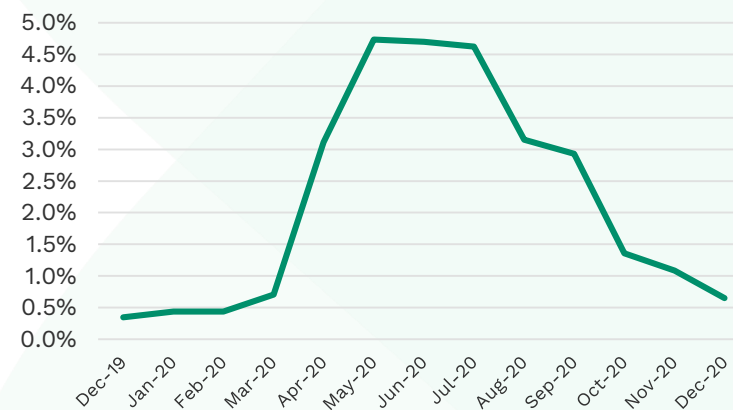
# Expected Credit Loss Provisions

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



	1H20	2H20	1H21
<b>Estimated Credit losses (bps)</b>	<b>12</b>	<b>26</b>	<b>30</b>
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)

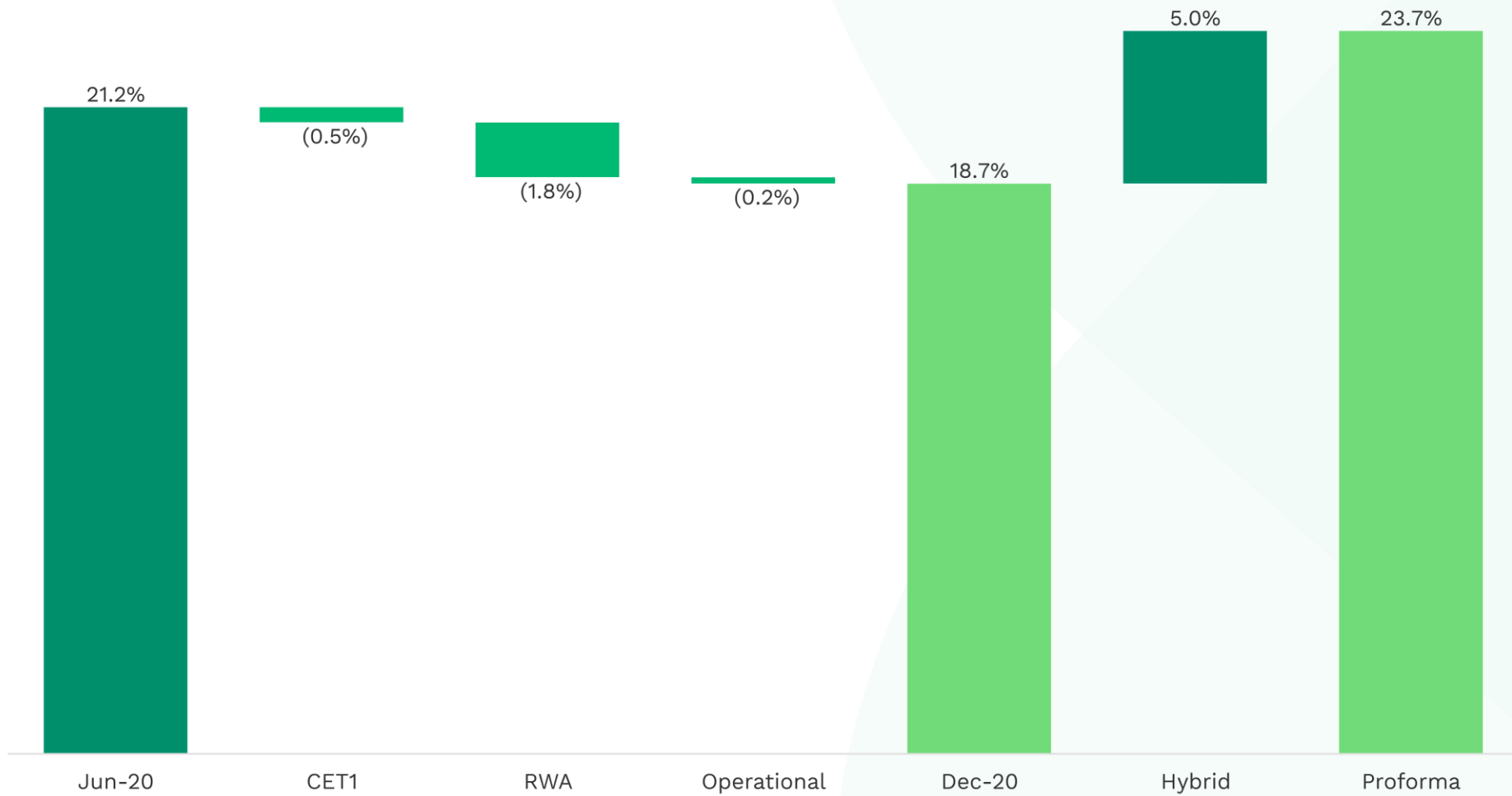


^Sep-20 Quarter End

# Capital

Capital Adequacy Ratio (CAR)

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## 1H21 Highlights & Outlook

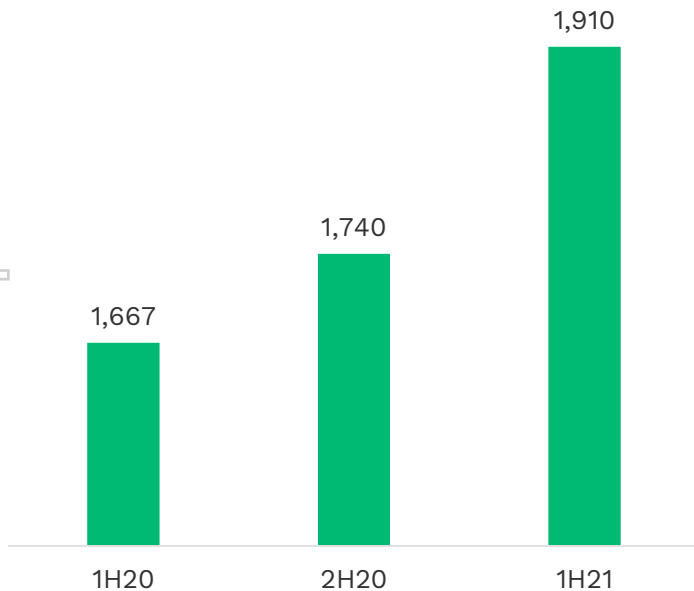
# Aggregation Highlights

Continued growth

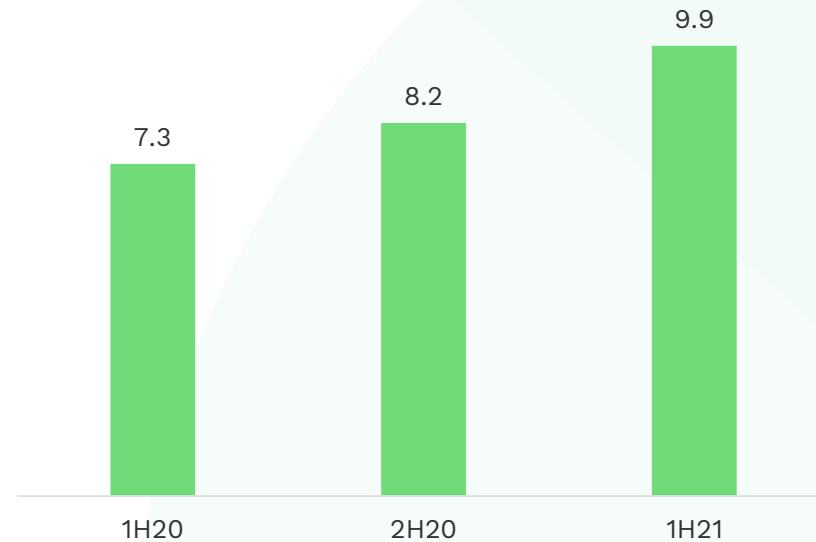
Ensured to continue to drive profitable growth via broker acquisition and adjacencies

- 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;

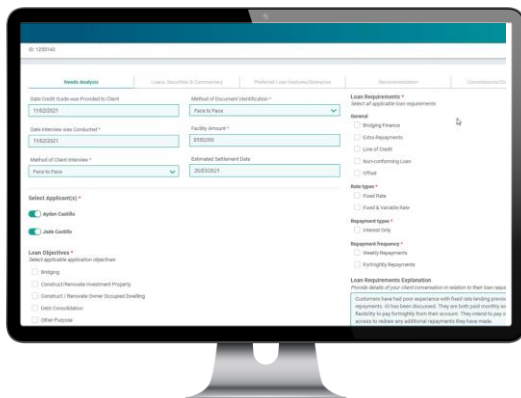
- ✓ Launch of eLearning Platform with live streaming and webcasts to help educate our brokers remotely
- ✓ Introduced a Services Store within the application which provides brokers with access to 3<sup>rd</sup> party applications, greatly increasing the services and applications available to brokers 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

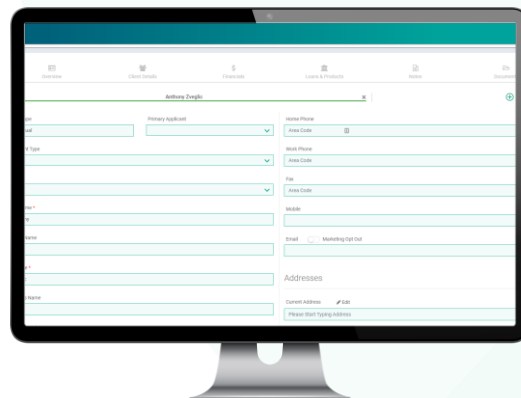
Finsure are confident Infynity is the industry benchmark for aggregator CRMs and will remain so for the foreseeable future

# Proprietary Technology Platform

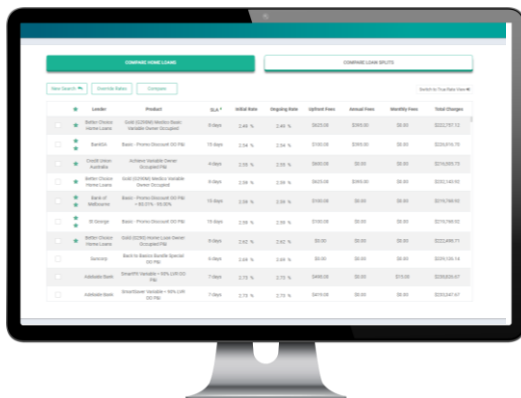
Finsure has replaced the offline home loan application process with technology



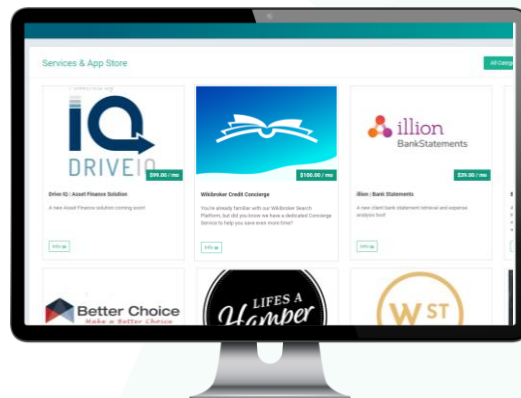
Dynamic questions allow for **accurate and detailed identification of borrower requirements** and goals



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



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 3<sup>rd</sup> party applications, and allows Finsure to earn additional revenue.



Over 8,000 loan lodgements to lenders per month

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# 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



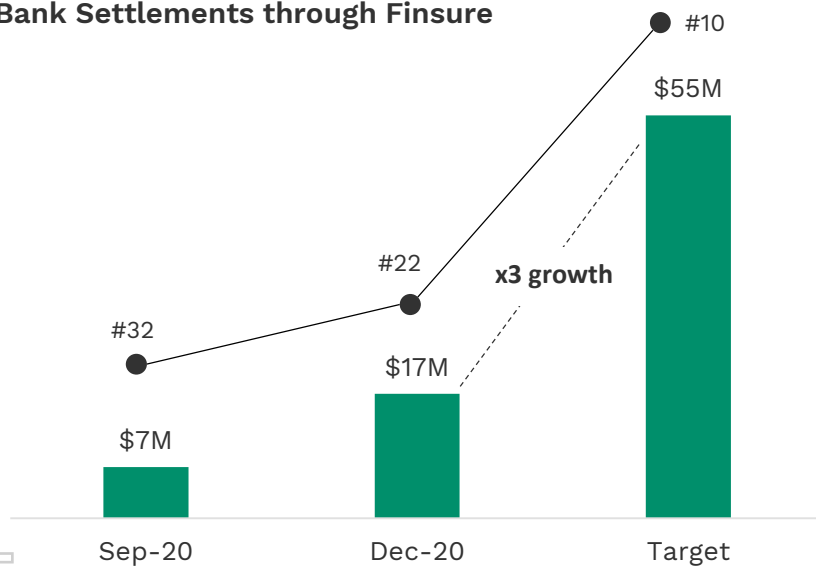
Deposit generation  
capability in place

# 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



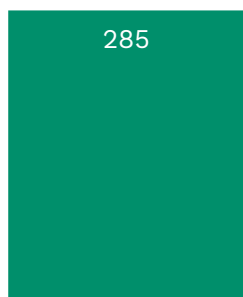
4,000+ loan writers

# 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)



2H20

1H21

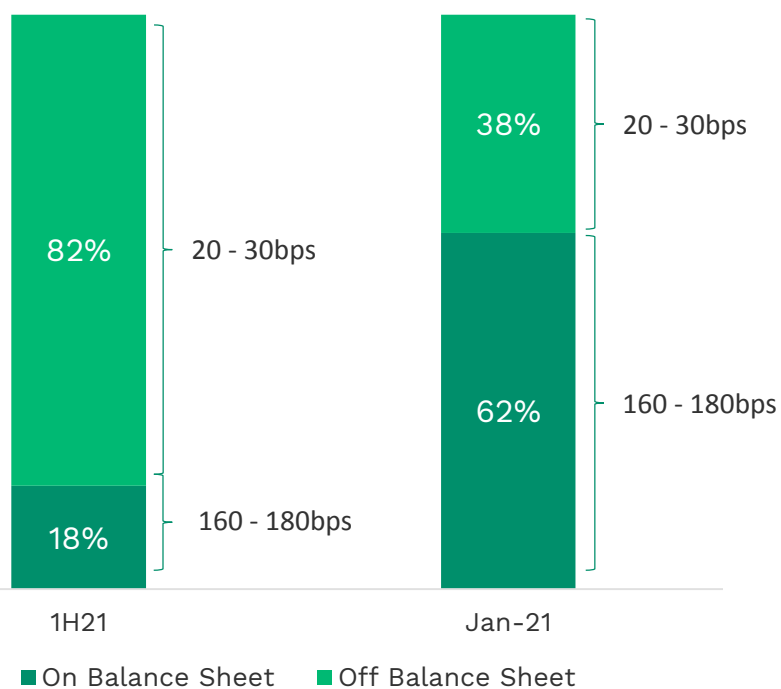
Jan-21

# Bank Highlights & Outlook

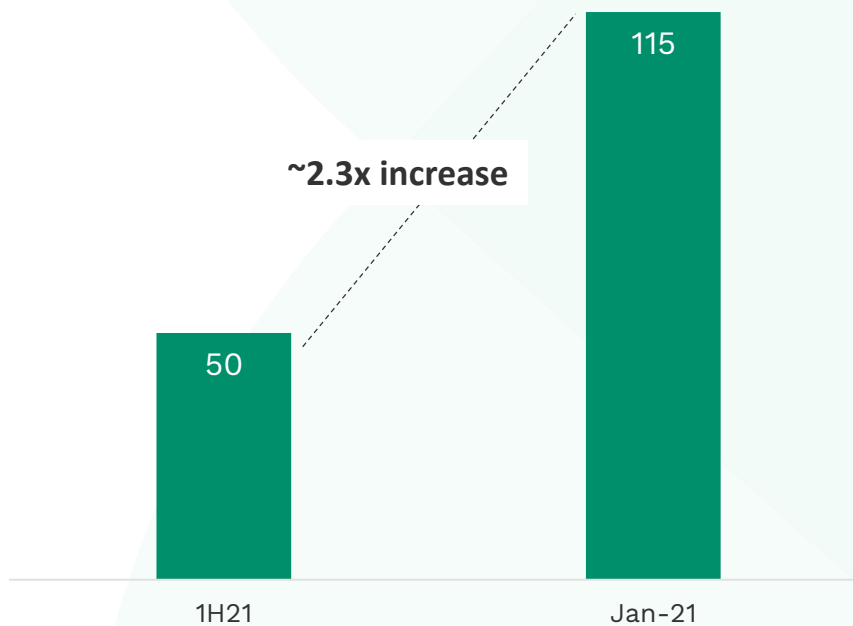
## Margin transformation

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)

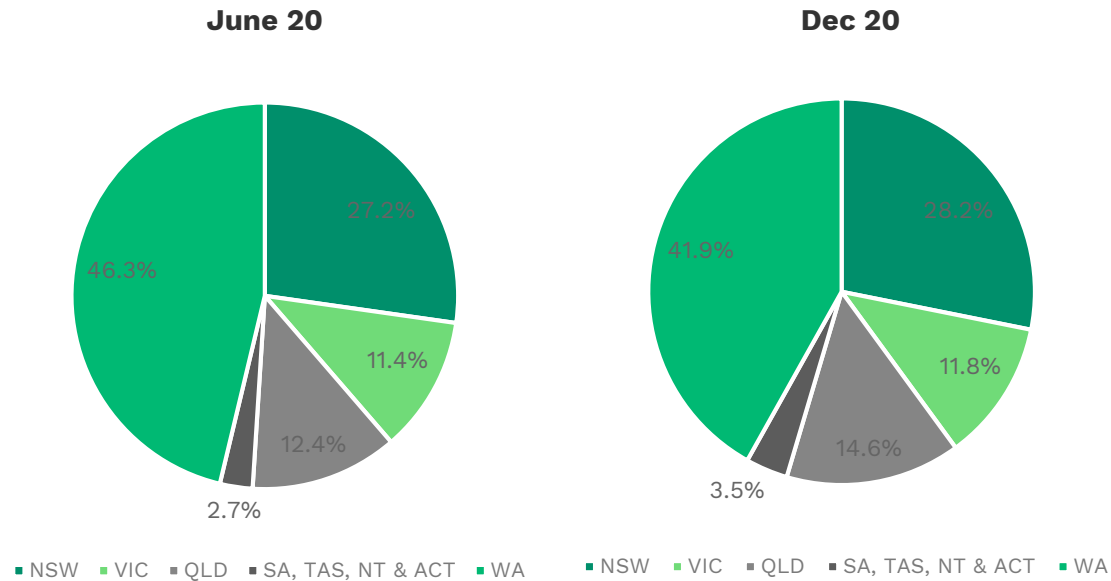


# Bank Highlights & Outlook

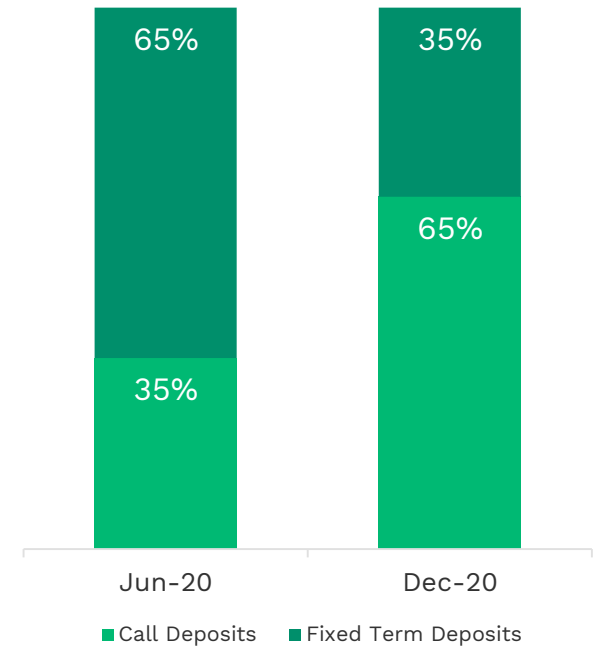
## More diverse portfolio

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
<b>Statutory Net Profit After Tax (\$'000s)</b>	<b>2,176</b>	<b>2,325</b>	<b>2,999</b>
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
<b>Underlying Net Profit after Tax (\$'000s)</b>	<b>2,338</b>	<b>2,399</b>	<b>2,543</b>
<b>(Management-reported results)</b>			

## • 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



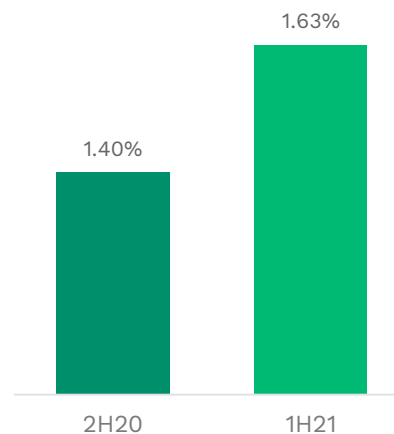
Operating leverage delivers a 1H21 underlying NPAT of \$2.3m representing -2.5% HoH decline, \$0.9m of which was driven from ATM loss.

Net interest margin (NIM%) increased slightly 2bpts, actual interest spread continue to increase HoH as we reprice expensive TDs.

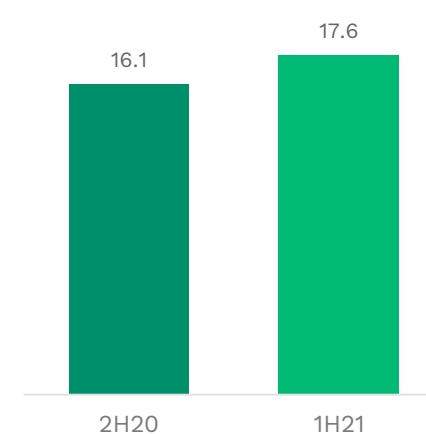
Operating expenses impacted by ATM loss \$0.9m. After adjusting for abnormal items expenses were broadly flat

Underlying Group (\$m)	Aggregation	Wholesale	Bank	Eli	1H FY2021 <sup>1</sup>	2H 2020 <sup>1</sup>	\$ Var.	% Var.
<b>Gross Revenue</b>								
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%
<b>Total Gross Revenue</b>	<b>156.2</b>	<b>8.1</b>	<b>5.3</b>	<b>(0.5)</b>	<b>169.1</b>	<b>161.4</b>	<b>7.8</b>	<b>5%</b>
<b>Net Revenue</b>								
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%
<b>Total Net Revenue</b>	<b>11.9</b>	<b>2.9</b>	<b>3.1</b>	<b>(0.3)</b>	<b>17.6</b>	<b>16.1</b>	<b>1.5</b>	<b>9%</b>
<b>Operating Expenses</b>								
Operating Expenses	5.6	3.5	4.9	-	13.9	12.8		
Loan Loss Charges	-	-	0.2	-	0.2	0.4		
<b>Total Expenses</b>	<b>5.6</b>	<b>3.5</b>	<b>5.1</b>	<b>-</b>	<b>14.1</b>	<b>13.2</b>	<b>0.9</b>	<b>7%</b>
<b>Profit Before Tax</b>	<b>6.4</b>	<b>(0.6)</b>	<b>(2.0)</b>	<b>(0.3)</b>	<b>3.5</b>	<b>2.9</b>	<b>0.6</b>	<b>19%</b>
Tax Expense	2.0	(0.1)	(0.6)	(0.1)	1.2	0.5		
<b>Net Profit After Tax</b>	<b>4.4</b>	<b>(0.4)</b>	<b>(1.4)</b>	<b>(0.2)</b>	<b>2.3</b>	<b>2.4</b>	<b>(0.1)</b>	<b>-3%</b>

NIM Trend (%)



Revenue (\$m)

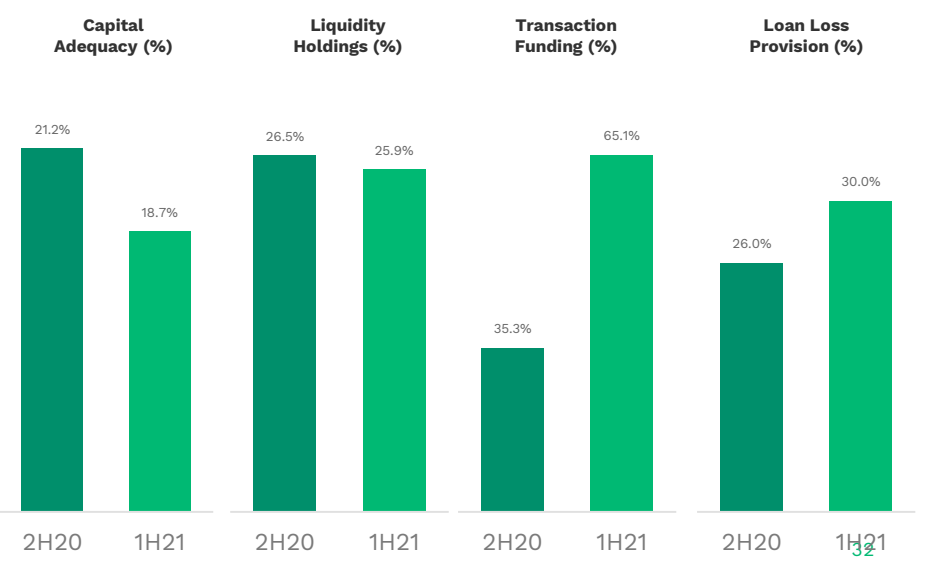


# Balance Sheet



- 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.
<b>Assets</b>				
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%)
<b>Total Assets</b>	<b>955.9</b>	<b>839.3</b>	<b>116.6</b>	<b>13.9%</b>
<b>Liabilities</b>				
Deposits	391.3	345.8	45.5	13.2%
Other Liabilities	449.2	380.6	68.6	18.0%
<b>Total Liabilities</b>	<b>840.5</b>	<b>726.4</b>	<b>114.1</b>	<b>15.7%</b>
<b>Equity</b>				
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%
<b>Total Equity</b>	<b>115.4</b>	<b>112.9</b>	<b>2.5</b>	<b>2.2%</b>



## 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

